

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KONZA TECHNOPOLIS
DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2023^e**



KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**



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**KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KOTDA	Konza Technopolis Development Authority
MIC & DE	Ministry of Information, Communication & The Digital Economy
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

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

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

Vision

A leading global Technopolis and innovation hub

Mission

To develop a thriving sustainable smart city and a vibrant innovation ecosystem contributing to Kenya's knowledge Economy.

Core values

a) Nurture: We celebrate and invest to grow diverse talents and skills to achieve our vision. We see possibilities ahead of us and we are committed to develop the smart city to its true potential.

b) Innovation: We choose to transform and continuously improve in everything we do; we are curious, creative and constantly look for better ways to deliver our products and services to our customers.

c) Collaboration: We optimize results by working smarter together, we multiply our contribution through strategic partnerships and deliver value to all parties.

d) Excellence: We are passionate in delivering a better Konza to live work and play through flexible and creative solutions inspired by inspired by outstanding service in time. We conduct our business with integrity in a transparent, accountable and ethical manner.

(b) Principal Activities

The principal activities of the Authority are to:

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

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Generate additional economic activities in the Area, through implementation of a system in which the Area enterprises are self-regulatory to the maximum extent possible.

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

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Ag. Chief Executive Officer	John Paul Okwiri
2.	Chief Manager, Corporate Services	Norman Mwangi
3.	Chief Manager, Business Development, and Innovation	Josephine Ndambuki
4.	Chief Manager Construction, Operations and Management	Eng. Anthony Sang
5.	Chief Manager, Physical Planning, Design and Compliance	Arch. Annah Musyimi
6.	Corporation Secretary Manager & Chief Manager Legal Services	Gladys Koletit
7.	Chief Manager Corporate Research, Policy & Strategy	Stella Muhoro
8.	Ag. Manager, Procurement	Vincent Kimechwa
9.	Manager Internal Audit and Assurance	John Karanja

(e) Fiduciary Oversight Arrangements

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

- i. Ms. Pacifica Chepkosgei – Chairperson
- ii. Philip Olero – Member
- iii. Grace Wanderi – Member

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

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(f) Entity Headquarters

Konza Complex, 7th Floor, Konza,
Nairobi-Mombasa Highway

(g) Entity Contacts

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

(h) Entity Bankers

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

(i) Independent Auditor

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

(j) Principal Legal Adviser

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

3. The Board of Directors

Prof. Raphael Muatine Munavu (CHAIRMAN)

D.O.B. 1st August 1949



Raphael Munavu is a Professor Emeritus in the Department of Chemistry, University of Nairobi, Chair of the Presidential Working Party of Education Reforms in Kenya from (September 2022 to present) and a Director at NACOSTI (October 2021 – present).

Prof. Munavu attended Kalamazoo College (B.A. 1967-1970), Wayne State University (M.Sc. 1970-1972), and the University of Detroit (Ph.D. 1972-1975) in the USA. His specialization is in Organic, Environmental, and Industrial Chemistry.

Prof. Munavu has had an illustrious career in academia and public service for the last 35 years. He served as the Chairman of the Kenya National Academy of Sciences (KNAS) for 19 years (2002-2021), Chancellor of Laikipia University for five years (February 2013 – February 2018), and Commissioner at the Constitutional Commission on Revenue Allocation (CRA) for six years (December 2010 – December 2016)

He was the Dean of the Faculty of Science at the University of Nairobi (1987-1990), founding Principal of Laikipia College of Egerton University (1990-1992), Vice-Chancellor of Egerton University (1992-1994) Deputy Vice-Chancellor (Administration and Finance) at the University of Nairobi (1994-1998) and Vice-Chancellor of Moi University (July 14th, 1998 to September 19th, 2002). In addition to regular administrative responsibilities, Prof. Munavu spearheaded the establishment of International Programs Offices at the University of Nairobi (1995) and at Moi University (1999) and Privately Sponsored Students Programs at Moi University (1998).

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**CS, THE NATIONAL
TREASURY,
PROF. NJUGUNA NDUNG’U,
CBS
D.O.B 1960**



Prof. Njuguna Ndung’u is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung’u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung’u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden.

He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.

**PS, ICT & DIGITAL ECONOMY
ENG. JOHN TANUI, MBS
D.O.B 7TH. MARCH 1973**



Eng. John Tanui is the Principal Secretary in the Ministry of Information, Communications, and the Digital Economy in charge of the State Department for ICT and the Digital Economy. Prior to joining the Ministry, Eng. Tanui was the Chief Executive Officer of the Konza Technopolis Development Authority (KoTDA) for over 7 years, Deputy Country CEO and Vice President of Huawei Technologies responsible for Kenya, Tanzania, Somalia and Djibouti and the Director of Technical Service Department in the same organization that he served for over of 15 years. With over 17 years in the ICT industry and international business

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management, Eng. Tanui has worked in several countries in Africa and also in China acquiring knowledge and experience in Business and project management, he has keen interest and expertise in Engineering Turnkey Projects, Innovations, setup and management of industry collaborations and partnerships. He is passionate about how technology can be utilized to solve challenges facing economies.

He holds a bachelor's degree of Technology in Electrical and Communication Engineering from Moi University and MBA in International Business from the University of Nairobi where he is currently pursuing PhD in global business management. He is a member of the Institution of Engineers of Kenya (MIEK), a registered engineer and a member of the Academy of International Business.

Bertha Joseph Dena
D.O.B 19TH JUNE 1956



Ms. Dena holds two MBAs from Maastricht School of Management Netherlands and Eastern and Southern African Management Institute (ESAMI), a Bachelors of Commerce (Accounting) degree from University of Nairobi, a Certified Public Accountant of Kenya, CPA (K) certificate and a Certified Public Secretary of Kenya, CPS (K) certificate.

Ms. Dena has been in the finance and academia professional fields for over 30 years now during which she has served as an Auditor, Chief Accountant, Company Secretary and Finance Manager at various organizations among them Stagecoach International Services Ltd, AIG Global Investments Company (East Africa) Ltd and Pine Bridge Investments East Africa Ltd (former AIG Global Investments Company Ltd). She is currently a Money and Capital Markets Lecturer at United States International University Africa (USIU).

Ms. Dena has a wealth of experience in public service and leadership. Between 2001 and now she has served as a Board member at Kenya Ports Authority, Kenya Women Finance Trust, Rural Electrification Authority, Kenya Maritime Authority, Jomo Kenyatta University of Agriculture & Technology, Information Communication Technology Authority and Eco Bank Kenya Ltd.

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PHILIP NYAKWAKA OLERO **D.O.B 1968**



Mr. Olero is a Sales, Marketing, Governance and Public Administration expert with an illustrious career to his name spanning over 20 years. As a sales and marketing expert, Mr. Olero is proficient in ensuring company sales objectives are attained through effective operation of the sales activities, defining suitable markets for a company's products and services, ensuring market shares are maintained and expanded, preparing financial plans and projected financial returns.

Mr. Olero is currently the Managing Director at Phinoce Enterprises Ltd.

He holds a Bachelor's Degree in Government and Public Administration from Moi University, National Diploma in Business Management from Kenya Institute of Management and is currently undertaking a Master of Business Administration (MBA) in Strategic Management from the University of Nairobi.

Mr. Olero is a member of GlaxoSmithKline Pharmacists Club and an Associate member of the Kenya Institute of Management.

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PACIFICA CHEPKOSGEI, PhD
D.O.B 1964



Dr. Pacifica is a highly experienced academician with a bias in the areas of environmental and sustainable development, socioeconomic livelihoods, gender mainstreaming, management and organizational development. She holds a PhD in Environmental Studies (Human Ecology) from University of Eldoret and a Masters Degree in Development studies from Moi University.

She currently serves at Moi University as a senior lecturer in Development studies, a Senate Representative for the School of Arts & Social Sciences and the Program Leader Master of Arts in Development studies, School of Arts.

She is committed to providing leadership in academic and administrative management at tertiary levels of education and over the course of her lecturing career, she has held high impact positions including the Head of the Department of Development Studies at University of Eldoret, Head of Department (Development Studies), School of Human Resource at Moi University, Diploma Coordinator School of Human Resource at Moi University and Board member at the Moi University HIV/AIDS Control Unit (MUHACU).

CHARLES KILONZO
D.O.B 12TH DECEMBER 1973



Charles Kilonzo is a governance, strategic leadership, marketing, and corporate communications expert with over 20 years of experience in the fields of media, public relations, advocacy, marketing, management, and governance.

Mr. Kilonzo has served as a public relations, corporate affairs, and resource mobilization professional at various institutions among them St. Paul's University, Daystar University, and Bible Translation and Literacy (BTL).

He has immense experience in journalism and media productions having founded a communication, marketing & media production firm – Live Studios Media Ltd, in 2015. As the Managing director – Live Studios Media Ltd, Charles currently leads operations at the firm.

Mr. Kilonzo holds a master's degree in business administration (MBA) – (Strategic Management major) from Moi University, a

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Post-graduate Diploma in Public Relations Management from Kenya Institute of Management (KIM) and a BSC – Horticulture from Jomo Kenyatta University of Agriculture and Technology.

GRACE WANJIRU WANDERI ALTERNATE TO CABINET SECRETARY, THE NATIONAL TREASURY D.O.B 24TH APRIL 1968



Ms. Grace is the Alternate Director representing the Cabinet Secretary for the National Treasury and Planning in the Board of Konza Technopolis Development Authority. She is the Principal Information Communication and Technology Officer under the National Treasury in charge of administration of Public Investment Management Information System.

Grace is a holder of Bachelor of Business in Information and Technology (BBIT) from University of Greenwich in the United Kingdom.

MR. WESLEY MARITIM D.O.B 1965



Wesley Maritim is the Alternate director representing the Principal Secretary, Ministry of Information, Communications and the Digital Economy in charge of the State Department for ICT and the Digital Economy the Board of Konza Technopolis Development Authority.

Wesley is the Director Administration- ICT at the Ministry of Ministry of Information, Communications and the Digital Economy.

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JOHN PAUL OKWIRI
AG. CHIEF EXECUTIVE OFFICER
D.O.B 25TH MAY 1985



John Paul Okwiri is a highly accomplished executive celebrated for extensive experience in procurement, supply chain management, and investment strategies. Currently serving as the Acting Chief Executive Officer of Konza Technopolis Development Authority (KoTDA), he has played a critical role in transforming the organization into a leading center of excellence for innovation and technology, focusing on advancing Kenya's knowledge economy.

With over 20 years of experience in procurement and supply chain management, Mr. Okwiri has established himself as a respected leader, demonstrating his strategic vision and excellent management capabilities. He has provided critical leadership in the procurement and implementation of several large-scale projects at Konza Technopolis, including successfully delivering Konza Phase 1 Horizontal Infrastructure, establishing the Kenya Advance Institute of Science and Technology and mobilizing resources to construct a tier 3 National Data Center, transforming Kenya's cloud infrastructure and data center services.

Mr. Okwiri holds an MBA in Procurement & Supply Chain Management from the University of Nairobi and a Bachelor of Commerce in Accounting. He is a Professional Member of the Chartered Institute of Purchasing & Supply (MCIPS-UK) and the Kenya Institute of Supplies & Management (MKISM). Besides, John is a certified FIDIC Dispute Adjudication Board (DAB) Expert.

GLADYS KOLETIT **CORPORATION SECRETARY & CHIEF MANAGER LEGAL SERVICES**



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

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

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4. Key Management Team

JOHN PAUL OKWIRI **AG. CHIEF EXECUTIVE OFFICER**



John Paul Okwiri is Currently serving as the Acting Chief Executive Officer of Konza Technopolis Development Authority (KoTDA). He has over 20 years of experience in procurement and supply chain management. Mr. Okwiri has established himself as a respected leader, demonstrating his strategic vision and excellent management capabilities. He has provided critical leadership in the procurement and implementation of several large-scale projects at Konza Technopolis.

Mr. Okwiri holds an MBA in Procurement & Supply Chain Management from the University of Nairobi and a Bachelor of Commerce in Accounting. He is a Professional Member of the Chartered Institute of Purchasing & Supply (MCIPS-UK) and the Kenya Institute of Supplies & Management (MKISM). Besides, John is a certified FIDIC Dispute Adjudication Board (DAB)Expert.

NORMAN MWANGI **CHIEF MANAGER, CORPORATE SERVICES**



Norman Mwangi is the Chief Manager (Finance, Corporate service). He has working experience of over 24 years in the public sector. Norman holds a Master of Business Administration (Finance) and Bachelor of Education (Maths & Business Studies) First Class Honours. He is a Certified Public Accountant of Kenya and a member of the ICPAK.

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



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

Her docket includes: Physical planning design and compliance

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



Eng. Anthony K. Sang is the Chief Manager – Construction Operations and Management at the Authority. He holds a Bachelor’s degree of Technology in Production Engineering and MSc in Entrepreneurship, Post Graduate Diploma in Project Planning and Management. He has served as a Council Member at the Institution of Engineers of Kenya (IEK) and is a Fellow of the Institution. He is also a Member of the Chartered Institute of Arbitrators.

JOSEPHINE NDAMBUKI **CHIEF MANAGER BUSINESS DEVELOPMENT & INNOVATION**



Josephine is a Technology business leader with over 15 years’ experience working in ICT, Telecoms, and technology-based sector in both private, public and development organisations in Kenya.

Josephine holds a BSC computer Science degree (1st class), MBA - strategic Management and is currently pursuing a PHD in Business – Entrepreneurship and small business development with a bias on research in Technology enterprises, she is a certified project manager and ISO Quality management systems implementor professional. And is a member of Kenya Institute of Management.

STELLA MUHORO **CHIEF MANAGER RESEARCH, POLICY AND STRATEGY**



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

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GLADYS KOLETIT **CORPORATION SECRETARY & CHIEF MANAGER LEGAL SERVICES**



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

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

VINCENT K. KIMENCHWA **AG. MANAGER, PROCUREMENT**



Vincent holds an MSc (Procurement & Logistics) from the Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Purchasing and Supplies Management. He is a member of Chartered Institute of Purchasing & Supply (UK) and Licenced member of Kenya Institute of Supplies Management (KISM).

He is in charge of Supply Chain and Procurement Department.

JOHN KARANJA **MANAGER, INTERNAL AUDIT & ASSURANCE**



John Karanja is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), The Institute of Internal Auditors (THEIIA) and Information Systems Audit and Control Association (ISACA). He holds a Bachelor of Commerce (BCOM) Degree, First Class Honours and Master of Business Administration (MBA) from the University of Nairobi.

He has over 18 years' experience in internal audit, compliance, finance and quality assurance obtained from a variety of international and local organizations drawn from the private and public sectors. He gives assurance to the Board on the effectiveness of internal controls and risk management framework.

5. Chairman's Statement

On behalf of the Board of Directors, Management, and Staff of Konza Technopolis Development Authority, I am pleased to present the Annual Report for the Financial Year 2022/2023.

This report provides a detailed scope of the activities of the Authority during the FY 2022/2023. It also highlights the Authority's achievements, challenges, and steps undertaken toward the continued actualization of our Mandate and Vision of creating a leading global Technopolis and innovation hub. The achievements outlined herein are attributed to the continued implementation of the objectives of the 2nd Strategic Plan (2021-2024) aligned to the Government of Kenya's Vision 2030.

During the past year, we successfully executed the annual strategic initiatives outlined in our Strategic Plan. These initiatives underscore our dedication to fostering innovation, sustainable growth, and inclusivity. Notably, we reviewed our organization structure to ensure its alignment with the new Strategic Plan, optimizing our capacity to deliver on our objectives.

Our dedication to governance excellence is evident through our efforts in policy development. We considered and approved new policies, each tailored to address the dynamic landscape of our operations. Monitoring the implementation of these policies has been instrumental in ensuring that we remain agile and responsive to emerging challenges.

Demonstrating prudent financial stewardship, we approved and monitored the implementation of the Authority's Annual Recurrent and Development Budget, amounting to Kshs 9.8 billion. This fiscal responsibility has enabled us to effectively allocate resources for our various projects and initiatives.

Our commitment to performance excellence shines through our success in executing the FY 2022/2023 Performance Contract with the Ministry of Information, Communications, and The Digital Economy. Notably, we achieved exceptional scores in the FY 2021/2022 Performance Contract targets, demonstrating our consistent dedication to delivering tangible results.

We are proud to share that we successfully approved investors for the lease of parcels at the Technopolis. These strategic partnerships underline our attractiveness as a hub for innovation and investment, contributing to the realization of our vision.

We continued to provide diligent oversight of our risk management framework, ensuring that our operations remain resilient and well-prepared to address potential challenges. Our commitment to excellence was further reinforced by the successful Board evaluation by the State Corporation's Advisory Committee (SCAC), where our Board's performance for FY 2021/2022 achieved an impressive score of 96.97%. This outcome attests to the dedication and effectiveness of our Board in achieving its objectives. Our journey in infrastructure development has been both impressive and transformative. Major projects, including Horizontal Infrastructure Phase 1, have progressed significantly. We are proud to report a completion rate of 90.24% for the project, a testament to our commitment to creating a smart and sustainable city.

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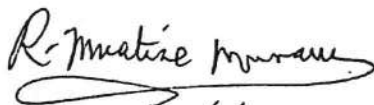
KONZA

As responsible stewards of the environment, we recognize the impact of climate change on our operations. The infrastructure we develop is not only influenced by climate change but also contributes to it. We are committed to addressing climate risks through initiatives like the Konza Greening Initiative and environmental monitoring systems. Our Corporate Social Responsibility efforts have yielded meaningful results, with tree donations, wildlife corridor dedications, and active participation in initiatives that promote sustainability and community well-being.

Despite our successes, we acknowledge the challenges that have tested our resilience and ingenuity. We experienced a delay in the disbursement of recurrent exchequer and the non-disbursement of development exchequer grants which impacted the timely implementation of our planned activities. Extreme weather conditions, including flooding and intense heat, also posed challenges to the construction works of the Horizontal Infrastructure forcing operations to scaled-down. Finally, the lack of bulk water supply and power supply from Thwake Dam, Nol-turesh, and Ketraco 400 kV substation respectively has the potential to negatively impact the commissioning of the Horizontal Infrastructure project.

As we reflect on the achievements of the past year, we look forward with determination to the future. We are committed to overcoming challenges and leveraging opportunities to drive the continued success of Konza Technopolis. As the Horizontal Infrastructure project nears completion, we are optimistic about the transformation it will bring to Konza Technopolis. Similarly, the Konza National Data Centre project is poised to be completed in the coming financial year. Our commitment to environmental sustainability remains unwavering. We acknowledge the impacts of climate change on our infrastructure and are dedicated to implementing strategies that enhance our resilience to extreme weather conditions. Our CSR initiatives will continue to play a pivotal role in our interactions with local communities. By supporting green initiatives, biodiversity conservation, education, and health programs, we aspire to create positive and lasting impacts. We are excited about the strides we are making in the realm of smart city technology. With the installation of environmental sensors and monitoring systems, we are poised to leverage data-driven insights for informed decision-making.

In conclusion, I extend my heartfelt gratitude to the Ministry of Information, Communication and the Digital Economy, the National Treasury, strategic partners, and all other stakeholders without whose support these achievements would not have been attained. I further wish to acknowledge the dedicated service and commitment of the members of the Board, Management, and the Staff of the Authority for their immense contribution and zeal in supporting the achievement of our mandate. Together, we have achieved significant milestones, and together, we will shape a future that embraces innovation, sustainability, and transformative growth.



PROF. RAPHAËL MUNAVU
CHAIRMAN, KONZA TECHNOPSIS DEVELOPMENT AUTHORITY

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6. Report of the Chief Executive Officer

It is my pleasure to present to you the annual report for the financial year ended 30th June 2023. It is a year we achieved significant milestones in actualizing our vision of becoming a leading global technopolis and innovation hub. During the year, we continued construction of the Horizontal infrastructure, Konza National Data Centre and Smart City facilities in addition to the Investor onboarding and innovation activities. The accomplishments of the year were made possible by the effort of our staff, the support received from the National government, neighbouring county governments and our stakeholders and partners. We remain committed and resilient in undertaking our mandate innovatively while at the same time considering the well-being of our staff and the sustainability of the Authority.

Financial Performance

The Authority's budgetary allocation for the fiscal year ended on June 30, 2023, was Kshs 9.8 Billion. Throughout the year, the Authority realized total revenue of Kshs 9.14 Billion, achieving a 93% budget absorption rate for the Revenue budget. Concurrently, the total expenditure amounted to Kshs 8.91 Billion, indicating a 91% budget absorption for the expenditure budget.

During the same period, Development Revenue of Kshs 8.3 Billion was realized out of an allocation of Kshs 9.05 Billion, translating to a budget absorption rate of 92%. Development revenues were derived from A-in-A funds distributed by the National Treasury directly to contractors for the Horizontal Infrastructure and Data Centre projects. The development exchequer grant was not disbursed during the financial year.

For the Recurrent budget, the Authority earned a total revenue of Kshs 818.9 Million from an allocation of Kshs 778.7 Million. These funds were sourced from Recurrent Exchequer grants and local A-in-A.

Konza Infrastructure Portfolio

The Horizontal Infrastructure Phase 1 project, encompassing 400 acres of Phase 1 of the Master Plan, is progressing effectively. As of now, the physical progress stands at an impressive 90.24%, with USD 355.22 million spent out of the total project cost of USD 391.9.

Several areas experienced notable advancements, including stormwater and foul sewerage system installations with high completion rates (89.37% for stormwater piping, 96.37% for manholes, and 98.08% for foul sewerage process pipes). The Water Treatment Plant saw 90.01% completion for HDPE pipe installation, and the irrigation reuse pipeline network reached a 92.24% completion rate.

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The solid waste network, Medium Voltage (MV) and Low Voltage (LV) Network conduit pipe installations progressed well, with completion rates of 96.01%, 86.60%, and 73.31%, respectively. ICT conduit pipe laying achieved a completion rate of 73.35%. Streetlight installations were underway, with 38.93% completion for light poles and 47.42% for the streetlight network. Road subgrade, GCS road subbase, Asphalt base course, Asphalt binder course, and Asphalt wearing course installations achieved completion rates ranging from 35% to 92%.

Konza Data Centre and Smart City Project: Significant progress was made, including the completion and commissioning of a temporary containerized data centre, now operating as a Disaster Recovery Centre. The Konza National Data Centre (Tier III) now supports various entities with world-class cloud computing services. Video Conference Facilities and Virtual Desktop Infrastructure installations enhanced operations for various organizations. Construction of the Konza Conference Facility progressed to a 57.66% completion rate.

These achievements underline our dedication to advancing infrastructure development and technological innovation within Konza Technopolis, reaffirming our commitment to creating a smart and sustainable city in alignment with global standards.

Investor Attraction and the Anchor Tenants:

Engagement with investors through investor-centric programs, conferences, and meetings proved fruitful, with over 80% of Phase 1 being sold out. New investors were onboarded to the Technopolis, set to commence development works as Phase 1's Horizontal Infrastructure concludes.

Konza Resource Mobilisation and Partnerships

The Authority continues to utilize partnerships as a key tool to unlock opportunities for resource mobilization towards various efforts designed to meet the aspirations of the Technopolis. The Technopolis has received much support from our government & various governmental agencies, the governments of China, Italy and South Korea.

The Authority is a full member of the International Association of Science Parks and Areas of Innovation and has been granted rights to host the 2024 IASP World Conference in Nairobi. This has opened a whole new world of opportunities for collaboration and partnerships with other science parks and areas of innovation both within Africa and worldwide.

The Authority has also received support from the UNDP, UN-HABITAT, UNESCO, EDCF among other development partners and donors. It is our resolve to further our development cooperation

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with all development partners and donors towards implementation and operationalization of Konza Technopolis.

Environmental sustainability

The Authority's environmental sustainability strategy has prioritized Environmental, Social and Governance (ESG) monitoring and compliance. The Authority launched the Environment Social Governance Report June 2023 whose main pillar is climate change strategy.

The Authority evaluates its operations and activities to map out exposures to climate change. The Smart Cities Facilities project, which is a component of the larger Konza National Data Centre and Smart City Facilities project installs environmental sensors and monitoring systems in the Technopolis. The sensors will monitor all climatic parameters to inform climate policies, operations and strategies.

Strategic direction

In line with our strategic plan (2021-2025), our mission is to create a thriving, sustainable smart city and a vibrant innovation ecosystem that contributes to Kenya's knowledge economy. Moving ahead, our focus remains steadfast on advancing the development of horizontal infrastructure while also unlocking the potential of the remaining land for strategic development. Our vision extends to tapping into the power of commercialization to maximize the value of our services and embracing a dynamic approach to diversify our revenue streams. In pursuit of this, we are committed to proactive local and international marketing efforts that will spotlight our offerings on a global stage. Furthermore, our commitment lies in cultivating an innovation ecosystem that not only fuels the growth of our Technopolis but also propels Kenya's knowledge economy to new heights.

Appreciation

I extend my gratitude to the Chairman, the Board of Directors, and the entire management team for their unending support and guidance. My sincere appreciation goes to our dedicated staff for their efforts in meeting targets. I also thank the Ministry of Information Communication and the Digital Economy, the National Treasury, stakeholders, and partners for their continued support. We are committed to steering our team toward realizing Africa's Silicon Savanna and a global technology and innovation hub.

A handwritten signature in blue ink, appearing to read "John Paul Okwiri".

MR. JOHN PAUL OKWIRI
AG. CHIEF EXECUTIVE OFFICER

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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The Authority has three (3) strategic pillars and seven (7) objectives within the current Strategic Plan for the FY 2022/2023. These strategic pillars are as follows:

Business Development – attract, onboard and retain key investors and create a strong brand.

Knowledge Economy and Innovation – convene, connect and catalyze a conducive environment for technology startups and SMEs to thrive and scale in partnership with other actors in the innovation ecosystem.

Smart City Services – to deliver effective, responsible and efficient smart services for enhanced quality of life.

The Authority develops its annual work plans based on the above three pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2022/ 23 period for its strategic pillars, as indicated in the table below:

Table: Performance against Predetermined Objectives

Strategic Pillar/	Objective	Key Performance Indicators	Activities	Achievements
Strategic Pillars				
Business Development	attract, onboard and retain key investors and create a strong brand	<ul style="list-style-type: none"> • Investments (Kshs. B) • Technopolis residents (No.) • Brand equity • Spin-offs (No.) 	<ul style="list-style-type: none"> • Attract and onboarding investors. • Uptake of Phase 1 parcels 	<ul style="list-style-type: none"> • Key investors were onboarded from the public sector and private sector. • Over 80% of Phase 1 parcels soldout.
Knowledge Economy and Innovation	convene, connect and catalyze a conducive environment	<ul style="list-style-type: none"> • Startups established (No.) 	<ul style="list-style-type: none"> • Support innovation and entrepreneurship development. 	<ul style="list-style-type: none"> • Partnership agreement with ASSEK executed to coordinate

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	for technology startups and SMEs to thrive and scale in partnership with other actors in the innovation ecosystem	<ul style="list-style-type: none"> • Licenses and agreements (No.) 	<ul style="list-style-type: none"> • Facilitate implementation of SEZ benefits and incentives. 	<p>support for startups and innovators.</p> <ul style="list-style-type: none"> • Technopolis gazetted as a SEZ with developer and operator licences.
Smart City Services	to deliver effective, responsible and efficient smart services for enhanced quality of life	<ul style="list-style-type: none"> • City services revenue (Kshs. B) • Range of City services (No.) 	Develop and commission Smart City Facilities at Konza Technopolis.	Smart City Facilities including IOC, ITS, Citywide Network, smart sensors and metres implemented to 50%.
Strategic Enablers				
Physical Planning, Infrastructure and Environment	Plan and develop smart and sustainable world class infrastructure	<ul style="list-style-type: none"> • Critical Infrastructure completed (%) • 	<ul style="list-style-type: none"> • Develop the Konza Technopolis Masterplan for entire 5,000 acres. • Develop Phase 1 Horizontal Infrastructure 	<ul style="list-style-type: none"> • The Konza Technopolis Masterplan for entire 5,000 acres developed and approved. • Establishment of Phase 1 Horizontal Infrastructure

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				implanted to 90% completion.
Smart Governance	Ensure effective, efficient and transparent city coordination, stewardship and agile governance	<ul style="list-style-type: none"> • City services revenue (Kshs. B) • Range of City services (No.) 	<ul style="list-style-type: none"> • Develop and commission Smart City Facilities at Konza Technopolis. 	<ul style="list-style-type: none"> • Smart City Facilities including IOC, ITS, Citywide Network, smart sensors and metres implemented to 50%.

8. Corporate Governance Statement

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

a) Board Appointment and Membership

The power of appointing Board members has been delegated to the Cabinet Secretary, Ministry of Information, Communications and The Digital Economy. The Board engages with the Cabinet Secretary to ensure the individuals with the right skills are appointed as members of the Board. The Board basically comprises of 11 members. The Chairman appointed by the President, the Cabinet Secretary National Treasury & Planning, the Principal Secretary in the Ministry of Information, Communications and The Digital Economy and Seven (7) non-executive directors appointed by Cabinet secretary Ministry of Information, Communications and The Digital Economy and the Chief Executive Officer.

The following members served the Authority Board for the financial year 2022/23

1. Prof. Raphael Munavu - Chairperson – Appointed 10th March 2023
2. Prof. Njuguna Ndung'u, CBS - The Cabinet Secretary National Treasury & Economic Planning
3. Eng. John Tanui, MBS - the Principal Secretary in the Ministry of Information, Communications and The Digital Economy.
4. Ms. Grace Wanderi - Alt. Director/ CS, National Treasury – Appointed 12th September 2022.
5. Mr. Wesley Maritim - Alt. Director/ Principal Secretary, MoICDE- Appointed 11th April 2023
6. Ms. Pacifica Chepkosgei - Director - Appointed 10th March 2023
7. Mr. Philip Nyakwaka Olero - Director - Appointed 10th March 2023
8. Ms. Bertha Denna - Director - Appointed 10th March 2023
9. Mr. Charles Kilonzo - Director - Appointed 10th March 2023
10. Dr. Arch. Reuben Mutiso- Chairman upto 10th March 2023
11. Amb. Ukur Yatani Kanacho - The Cabinet Secretary the National Treasury
12. Jerome Ochieng-The Principal Secretary in the Ministry of ICT
13. Hezbourne Mackobongo - Alternate to Cabinet Secretary National Treasury from 11th June 2021
14. Johnson Wambugu- Alternate to Ps Ministry of ICT served upto end of March 2023
15. Pamela Tutui- Director upto 10th March 2023

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16. Ismail Dhora- Director 10th March 2023
17. Richard Kimani- Director upto 10th March 2023
18. Hilda Moraa Morara -Director upto 10th March 2023
19. Joseph Kivungi Mwele - director upto 10th March 2023
20. James Agin – Director upto 19th August 2022
21. Elias Maiyo Yano- Director upto 19th August 2022
22. John Paul Okwiri- Ag. Chief Executive officer- Appointed 5th December 2022
23. Ms. Gladys Koletit - Corporation secretary and Chief Manager Legal Services

b) Board of Directors Governance Charter

The Board charter outlines the responsibilities to be discharged by the directors collectively and individually. Each director has subscribed to the charter and signed the Authority's code of ethics. The Board members have committed to dedicate their service to the Authority and uphold the principles of good corporate governance and exercise fairness in all their dealing.

The roles and functions of the Chairman and the Chief Executive (CEO) are distinct, and their respective responsibilities clearly defined within the charter.

c) Role of the Board

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

- i. Overseeing implementation of the plans and strategies by Management.
- ii. Ensuring the Authority complies with relevant laws and regulations,
- iii. Instituting effective mechanisms that monitor the performance of the management team.
- iv. Safeguarding the assets of Authority and ensuring they are administered in a manner that best promotes the purpose for which the Authority was formed.
- v. Approving capital and recurrent budget provisions, Work plans and procurement plans.
- vi. Approving partnership and MOUs with other organisations.
- vii. Authorising the opening of bank accounts for the Company's funds.

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

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Key Achievement during the year included:

- i. Implementation of annual strategic initiatives under the Strategic Plan;
- ii. Reviewed Authority's Organization Structure to align with the new Strategic Plan.
- iii. Considered and approved new policies developed by the Authority and monitored their implementation.
- iv. Approved and monitored the implementation of the Authority's Annual Recurrent and Development Budget of Kshs 9.8 billion.
- v. Oversaw the development and execution of the Authority's FY 2022/2023 Performance Contract with the Ministry of Information, Communications and The Digital Economy and implementation of the same. The Authority scored good in the FY2021/22 Performance Contract targets.
- vi. Approved investors for the lease of parcels at the Technopolis.
- vii. Provided oversight of Risk management framework and management action for management of risks
- viii. Successful Board evaluation by State Corporation's Advisory Committee (SCAC) where Board performance for FY2021/2022 was of 96.97% an indication of the Board's commitment and ability to achieve its objectives.

d) Board diversity

The current composition comprises of directors from diverse backgrounds and experience in academia, business, ICT and marketing fields. The Authority believes the composition has the required mix of skills and core competencies to enable it to operate effectively and efficiently as outlined below.

The gender composition of the Board is 50% male and 50% female.

e) Directors Induction and Training

All the Members of the board on appointment, undergo induction to enhance their understanding of the Authority business and align to new developments in the industry. The induction programme involves presentations by management, review of policy documents and expert briefs by consultants and attendance of formal induction courses offered at Kenya school of government and by State Corporation Advisory Committee.

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Board Evaluations

The Board annually reviews its effectiveness as a whole and that of individual committees as well as the Chief Executive Officer to ensure that the Authority's goals are achieved. The process involves evaluation of each director done by the other Directors, CEO is evaluated by all Directors and in turn all directors individually evaluate the Chairman. The Board ensured that all assessments and evaluations carried out are properly documented and filed. The State Corporation Advisory Committee facilitated the Board Self Evaluation exercise during the year and feedback received was used to design interventions appropriately.

f) Directors Remuneration

The Directors remuneration is based on the Government of Kenya regulations which recommend that Directors will be paid Ksh.20, 000 per sitting while the Chairman will be paid Ksh.80, 000 per month and Ksh.7, 000 per month as telephone allowance. The aggregate amount of emoluments paid to directors for services rendered during the financial year 2022/23 are disclosed in the notes to the financial statements under note 10.

g) Conflict of Interest

The Authority maintains a register where the directors are required to make a declaration of any interest they may have in the business under discussion. As per Mwongozo code of governance for State Corporations, the board members are under a statutory obligation to avoid a situation in which they may have a direct or indirect interest that conflicts or may conflict with the interest of the Authority. In all Board meetings, any conflicted director is obligated to declare the same and exclude himself/herself from any discussion or decision over the subject matter.

h) Meetings of the Board

According to Section 8 (1) (a) of the State Corporations Act, Cap 446 the Board of every State Corporation should meet at least four times in every financial year. During the period under review, the Board held twelve (12) meetings as per the board almanac and special meetings to consider urgent critical matters relating to the business of the Authority. The notice, agenda and Board papers were circulated within the stipulated timeliness.

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S/no.	Name	Attendance	Remarks
1	Prof. Raphael Munavu (Chairperson)	3	Appointed 10.03.2023
2	Grace Wanderi	9	Appointed 12.09.2022
3	Wesley Maritim	3	Appointed 11.04.2023
4	Pacifica Chepkosgei	3	Appointed 10.03.2023
5	Charles Kilonzo	3	Appointed 10.03.2023
6	Bertha Dena	3	Appointed 10.03.2023
7	Philip Olero	3	Appointed 10.03.2023
8	John Paul Okwiri	6	Appointed 05.12.2022
9	Arch. Dr. Reuben Mutiso- (former Chairman)	9	Retired 10.03.2023
10	Hezbourne Mackobongo	0	Retired 12.09.2022
11	Johnson Wambugu	6	Retired 31.03.2023
12	Pamela Tutui	9	Retired 10.03.2023
13	Richard Kimani	9	Retired 10.03.2023
14	Ismail Dhora	6	Retired 10.03.2023
15	Joseph Mwele	9	Retired 10.03.2023
16	Hilda Moraa	9	Retired 10.03.2023
17	Elias Yano	2	Retired 19.08.2022
18	James Agin	2	Retired 19.08.2022
19	Eng. John Tanui	2	Retired 05.12.2022

i) Board Committees

a. Corporate Services Committee

This Committee has oversight responsibility on all financial, legal, procurement, human resources and organisational administration issues at the Authority. The Committee is composed of three members and the CEO. The composition of the Committee is reviewed annually. During the year, the Committee held four regular meetings and one joint meeting with the audit and risk committee making it a total of five(5) committee meetings held as outlined in the table below:

S/no	Name	Attendance	Remarks
1	Bertha Dena -Chairperson	1	Appointed 10.03.2023
2	Grace Wanderi	1	Appointed 10.03.2023
3	Wesley Maritim	1	Appointed 10.03.2023
4	John Paul Okwiri	2	Appointed 05.12.2022
5	Pamela Tutui(former Chairperson)	4	Retired 10.03.2023
6	Hezbourne Mackobongo	0	Retired on 12.09.2022
7	Johnson Wambugu	4	Retired on 10.03.2023
8	Hilda Moraa	4	Retired on 10.03.2023
9	Eng. John Tanui	1	Retired on 05.12.2022

b. Technical and Infrastructure Development Committee

This Committee's role is to review, oversee and advise the Board on the quality of technical standards, assurance processes and impact assessment and reporting during implementation of the Konza Technopolis Master Plan. The Committee is composed of four members and the CEO. The composition of the Committee is reviewed annually. The committee held four (4) meetings during the year as outlined in the table below.

S/no.	Name	Attendance	Remarks
1	Philip Olero (Chairperson)	1	Appointed 10.03.2023
2	Welsey Maritim	1	Appointed 10.03.2023
3	Charles Kilonzo	1	Appointed 10.03.2023
4	John Paul Okwiri	2	Appointed 05.12.2022
5	Richard Kimani (former Chairperson)	3	Retired 10.03.2023

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6	Johnson Wambugu	3	Retired 31.03.2023
7	Ismail Dhora	1	Retired 10.03.2023
8	Joseph Mwele	1	Retired 10.03.2023
9	Elias Yano	1	Retired 19.08.2022
10	Eng. John Tanui	0	Retired 05. 12.2022

c. Business Development, Innovation, Research and Strategy Committee

This Committee's role is to review, oversee and advise the Board on strategy, research, business development and innovation activities and advise on and monitor performance in these areas, as well as to develop its commercial services and to create new revenue generating opportunities. The committee has a membership of three directors and the CEO. The membership is rotated annually following implementation of guidelines issued by Head of Public Service on management of State Corporations. The Committee held six (6) meetings in the year; four (4) regular meetings and two(2) special meetings.

S/no.	Name	Attendance	Remarks
1	Charles Kilonzo (Chairperson)	2	Appointed 10.03.2023
2	Bertha Dena	1	Appointed 10.03.2023
3	Pacifica Chepkosgei	2	Appointed 10.03.2023
4	John Paul Okwiri	2	Appointed 05.12.2022
5	Joseph Mwele (former Chairperson)	4	Retired 10.03.2023
6	Pamela Tutui	4	Retired 10.03.2023
7	Hilda Moraa	4	Retired 10.03.2023
	James Agin	1	Retired 19.08.2022
9	Eng. John Tanui	0	Retired 05.12.2022

d. Audit and Risk Committee

This Committee reviews, oversees and advises the Board on the Authority's internal control and risk management systems; oversees the integrity of the financial statements of the Authority, and any formal announcements relating to the financial performance, including significant financial reporting judgements contained in them; reviews the internal financial controls; review and monitor the external

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auditor's independence and objectivity and the effectiveness of the audit process; monitor and review the effectiveness of the internal audit function; and review whistleblowing arrangements. The Committee of the Board regularly reviews the effectiveness of the internal control system and guides the board on the same. The committee has a membership of four directors rotated annually following implementation of guidelines issued by Head of Public Service on management of State Corporations. The Committee held four meetings in the year.

During the year, the Committee held four regular meetings and one joint meeting with the Corporate Services committee making it a total of five (5) committee meetings held as outlined in the table below;

S/no.	Name	Attendance	Remarks
1	Pacifica Chepkosgei (Chairperson)	1	Appointed 10.03.2023
2	Philip Olero	1	Appointed 10.03.2023
3	Grace Wanderi	2	Appointed 12.09.2022
4	Ismail Dhora (former Chairperson)	4	Retired 10.03.2023
5	Richard Kimani	2	Retired 10.03.2023
6	Joseph Mwele	2	Retired 10.03.2023
7	Elias Yano	1	Retired 19.08.2022
8	James Agin	1	Retired 19.08.2022

j) Risk Management and Internal Controls

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

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

to achieve its objectives. Audit and Risk Committee of the Board regularly reviews the effectiveness of the internal control system and guides the board on the same.

k) Code of Conduct and Ethics

The Authority has a code of conduct relating to lawful and ethical conduct of business which is aligned to the Authority's core values of integrity, professionalism, agility and innovation and passion for excellence. The code of conduct provides fundamental principles and guidelines that govern the ethical and legal obligations of all employees at all levels. All employees are bound by the provisions of the public officers Ethics Act 2003, the Authority's Code of Conduct and any other statutory regulations issued from time to time. The Board, Management and employees are required to observe the code and high standards of integrity. These standards are applied in all dealings with customers, suppliers, and other stakeholders.

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9. Management Discussion and Analysis

Konza Technopolis Development Authority (KoTDA) is an entity largely funded by the National Government. The performance of KoTDA depends on the National Government budget cycle and funding as availed by the National Government through the Ministry of IC & DE.

FINANCIAL PERFORMANCE

The Authority Gok budgetary allocation for the year ended 30th June 2023 was Kshs 9.8 Billion. The total revenue realized by the Authority during the year was Kshs. 9.14 Billion translating to 93% budget absorption for the Revenue budget. The total expenditure incurred during the period was Kshs. 8.91 Billion translating to 91% budget absorption for the expenditure budget.

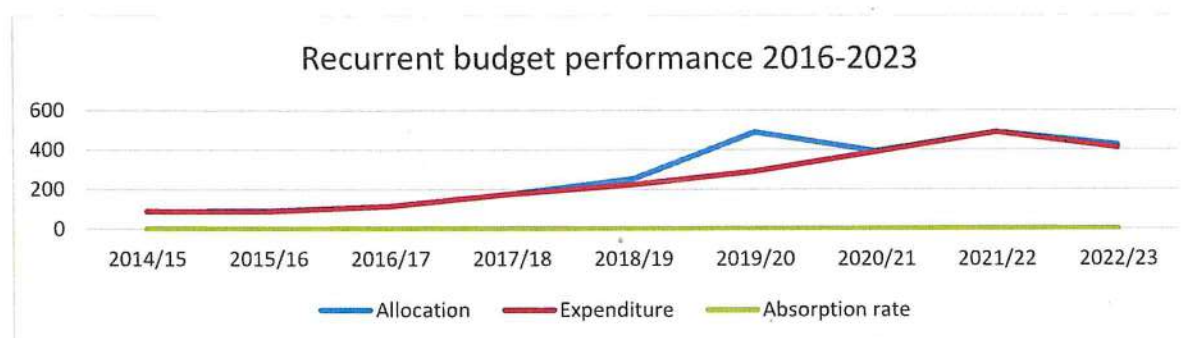
During the period, the Authority realized Development Revenue of Kshs. 8.3 Billion out of the allocation of Kshs. 9.05 Billion translating to 92% budget absorption. The Revenues for the development budget were realized from A-in-A funds disbursed by National Treasury directly to contractors for Horizontal Infrastructure and Data Centre projects. The development exchequer grant was not disbursed during the financial year.

For the Recurrent budget, the total revenue earned during the year was Kshs.818.9 Million out of the allocation of Kshs. 778.7 Million. The funds were realized from Recurrent Exchequer grants and local A-in-A.

Seven-Year Review of Authority Financial Performance

a) Recurrent Budget Performance Analysis

FY	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Allocation	115	177	252	490	392	489	425
Expenditure	115	177	225	290	389	489	409
Absorption rate	100%	100%	89%	59%	99%	100%	96%



The budget absorption for the FY 2022/23 was 91%.

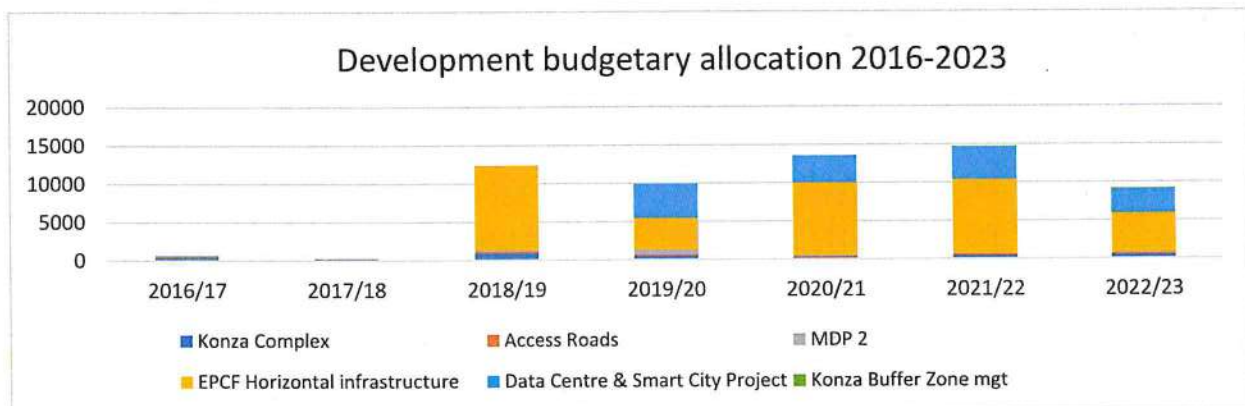
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b) Development Budget Analysis Financial year 2016 -2023

A significant budget growth was realized in the financial year 2018/19 when the Authority embarked on construction of the Horizontal infrastructure, this marked the first milestone in realization of the Smart Infrastructure. In the FY 2019/20 the Authority commenced the construction of the Konza National Data Centre and Smart City Facility project, although there was a budget reduction which contributed to scale down in construction works and the pending bills for EPCF Horizontal infrastructure. The year 2021/22 realized enhanced works for the Horizontal infrastructure and the year 2022/23 reduction of work as the project is nearing completion. However, for the Konza National Data Centre project works were evenly distributed over the four year period and the project is also due for completion in the next financial year.

Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Konza Complex	458	171	950	490	200	416	475
Access Roads	116	37	133	166	125	200	218
MDP 2	200	75	150	630	164	45	72
EPCF Horizontal infrastructure	-	-	11,200	4,200	9,500	9,763	5,150
Data Centre & Smart City Project	-	-	-	4,480	3,600	4,250	3,200
Konza Buffer Zone mgt	-	-	-	-	-	26	10
Total	774	283	12,433	9,966	13,589	14,699	9,125



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Entity's compliance with Statutory Requirements

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

Key Projects and Investment the entity is planning/ implementing

In accordance with the Authority's mandate of developing the Konza Technopolis to smart standards the following projects were the Key projects for the 2022/ 23 FY:

Horizontal Infrastructure Phase 1

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

The project entails:

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

Physical progress of the project is at 90.24% with USD 355.22 Million spent of the total project cost of USD 391.9 Million.

KONZA DATA CENTRE AND SMART CITY PROJECT

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

1. Phase 1 Data Centre which is a temporary containerized data centre to serve the Authority current requirements and government agencies that will require the service.
2. Phase 2 Data Centre consisting permanent building and equipment to serve the long-term needs of the Authority.

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3. Smart City Facilities/Services & Virtual Desktop Infrastructure

The Project progress is at 95% for the Data Centre installation and 40% for the Smart City Facilities
Over view of Electrical room power distribution LV switchgear



The Authority also installed module 2000 fusion with capacity to serve both government and private sector requirement.

a) **Konza Conference Facility**

During the period, the contractor continued with Superstructure works by merging old and new columns reinforcement. Sub-structure construction works also proceeded and the contractor is now on the fifth floor and at 57.66% completion rate.



5th Floor – Dome and roof gutter beams and slabs

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The Authority faced the following challenges during the period:

- **Delayed Disbursement of Exchequer:** There was a delay disbursement of recurrent exchequer and non-disbursement of second half year development exchequer grants affected implementation of planned activities.
- **External dependencies :** The lack of bulk water supply from Thwake Dam and Nol-turesh as well as the lack of power supply from Ketraco 400 kV substation could negatively impact the commissioning of the Horizontal Infrastructure project.

Major risks facing the entity

Risk Inventory

i. Operational risks

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

- a. Disruption in Business Continuity due to change management and lack of succession plan
- b. Reliance on third party technology.
- c. Employee Safety due to Pandemics.
- d. Failure to achieve value for money on capital projects and complete projects on time.
- e. Failure to dispose parcels in an efficient manner.
- f. Over reliance on external consultants to spearhead development of Technopolis.

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

ii. Financial risks

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

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

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

iii. Regulatory & Legal risks

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

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

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

iv. Reputational/Brand risks

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

- a. Adverse publicity.
- b. Spontaneous social media smear campaign.
- c. Negative Brand reputation.

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

v. Strategic risks

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

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

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

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The Authority’s environmental sustainability strategy has prioritized Environmental, Social and Governance (ESG) monitoring and compliance. We are accountable to the government, our staff, contractors, development partners, customers, investors, regulators, and the community on matters of the Environment, Social and Governance (ESG).

The Authority launched the Environment Social Governance Report 2023. The pillars of ESG that are covered in the report are shown in the table below.

	Environmental	Social	Governance
1.	Energy usage and efficiency	Fair pay and living wages	Corporate governance
2.	Climate change strategy	Equal employment opportunity	Risk management
3.	Waste reduction	Employees benefits	Compliance
4.	Biodiversity loss	Workplace health and safety	Ethical business practices
5.	Greenhouse gas emission	Responsible supply chain partnership	Avoiding conflicts of interest
6.	Carbon print footprint reduction	Adhering to Labor laws	

The ESG factors at Konza Technopolis and its environs are changing at a faster rate. We acknowledge ESG risks predispose us to higher levels of uncertainties, a position detrimental to our mandate, business and investments as follows:

ii) Environmental performance

Climate change affects Konza Technopolis in several ways. While development of infrastructure contributes a certain degree to climate change, the infrastructure we develop is also affected by the very climate change it contributes to. Particularly, our roads have Subsurface Utility Corridors which contain wet utilities and dry utilities. The wet utilities include water reticulation systems, sewer systems and wastewater recycle lines. The dry utilities include fiber optic cables, ICT systems, electrical systems and pneumatic solid waste systems which are all sensitive to flooding. Flooding is therefore dangerous to the Technopolis as it contaminates the wet subsurface utilities i.e., water, sewer and recycled water. It is also dangerous to the dry utilities i.e., fiber, electricals, and ICT systems as it can cause short circuits, rusting, corrosion and electrocution,

The Authority evaluates its operations and activities to map out exposures to climate change. The Smart Cities Facilities project, which is a component of the larger Konza National Data Centre and Smart City Facilities project installs environmental sensors and monitoring systems in the Technopolis. The sensors will monitor all climatic parameters to inform climate policies, operations and strategies.

We also continuously monitor the outcomes of our projects. Specifically, their distribution effects, impacts and severity to account for their potentiality of climatic disruptions.

KoTDA has a biodiversity management plan (BMP). The aim of the plan is to provide a schedule of impact mitigation measures along with ongoing conservation, restoration, and maintenance activities for the bushland to be retained on the site.

Planting of trees

During the financial year FY22/23 **6,000** seedlings were planted within the City



Figure 8. Tree planting exercise carried by KDF

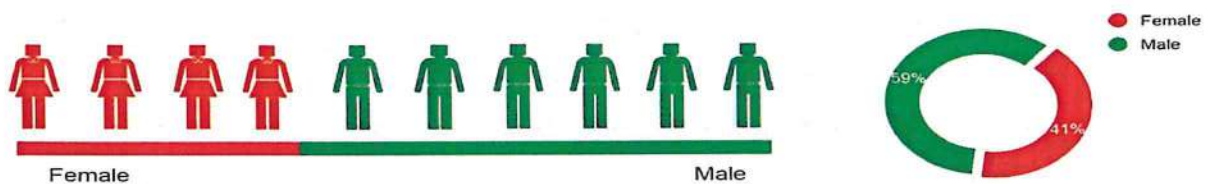


Figure 9. Tree planting exercise with Tumaini secondary school in Malili

iii) Employee welfare

The Human Resource function is responsible for planning, developing and driving the Human Resource Strategies, policies and procedures in the Authority in order to attract, retain and enhance capacity that optimizes employee productivity in line with the organizational Strategy.

The staff composition in the reporting period comprised of forty-four (44) male and thirty-one (31) female employees, thereby complying with the constitutional gender balance requirement of two thirds (2/3) as depicted in the figure below.



Staff gender representation

a. Training and Development

KoTDA has taken extensive steps to support its employees, who are its greatest strength. We continuously undertake training needs assessment for our people and offer opportunities for training and development which has contributed to enhanced productivity, motivation and career growth among our employees. We have also invested in the tools, programmes and technology needed for staff to be continuously appraised on their performance and enable them deliver exceptional performance. Our training and development plan address both technical, professional and leadership requirements of our employees.

iv) Marketplace practices

a) Responsible competition practice.

The Authority prioritizes investor and consumer protection in line with the government competition policy. It has in place frameworks for disclosure of Conflict of Interest, Confidentiality Agreements and Non-Disclosure Agreements to safeguard its clients and investors. The framework includes clauses on anti-corruption and commitments for non-fraudulent practices in all its contract.

In terms of competition in Kenya, KoTDA has no major competition in terms of magnitude and scope. However, it faces competition from other countries that have been developing smart cities and technology parks e.g. Kigali Technology City in Rwanda, Innovation Hub in Pretoria, Botswana ICT Hub because the investors are likely to divert their attention to these alternative destinations. To maintain fair competition, KoTDA is a member of World Free Zones and the International Association of Science Parks (IASP) which provides a global forum for the exchange of ideas among all accredited members. The annual forum highlights successful technology parks and provides networking opportunities, tours, economic development presentations and professional development opportunities.

b) Responsible Supply chain and supplier relations

The Authority's supply chain operates in the highest levels of ethical and sustainable supply chain and procurement operations. It prioritizes the three key elements of economic and environmental sustainability as well social responsibility. It subscribes to the best practices and is committed to the fight against transnational organized crime in its supply chain.

In procurement matters, the Authority adheres to the The Public Procurement and Asset Disposal Act, 2015. We maintain good business practices by observing and upholding

procurement rules and regulations by making payments for goods and services supplied as per specifications.

c) Responsible marketing and advertisement

The Authority adheres to ethical standards and considers the cultural, social, and legal context within the market environment. It enhances transparency and accountability, consumer privacy, social responsibility and stakeholders' engagement.

d) Product stewardship

KoTDA has a mandate to ensure there is effective, efficient, and transparent city coordination, stewardship, and agile governance. In the development of the 5,000 acres of the city, the Authority aims to uphold environmental stewardship in all aspects and phases of the project; from design to commissioning.

The Authority through its Business Development and Innovation is responsible for product development has a product-centred approach for marketing and environmental protection. It has in place policies and practices for extended product responsibility (EPR) that promotes product stewardship. It has in place product development frameworks and policies that the manufacturers, retailers, and consumers will plug into once they setup their productions in the Technopolis, thereby reducing the environmental impacts of products.

v) Corporate Social Responsibility / Community Engagements

The Authority Social investments focuses on environmental conservation, education, health, infrastructure and promotion of sporting activities. During the reporting period, the CSR activities included sponsorships, infrastructure developments and donations as outlined below:

Supporting Homa Bay's Go Green with Mama County Initiative Through Tree Donation

In June 2023, Konza Technopolis extended its support and active participation to the launch of the Homa Bay Go Green with Mama County Initiative. During this event, the Authority contributed 2,000 tree seedlings, a donation aimed at fostering a greener and more sustainable environment within the county.

This initiative underscores our ongoing commitment to collaborate with and endorse tree planting initiatives, reinforcing our dedication to environmental preservation, climate change mitigation, and resilience in alignment with the Konza Greening Initiative.

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Konza's Commemoration of World Wildlife Day

Konza Technopolis has dedicated a 1000-acre wildlife corridor to the cause of promoting biodiversity and wildlife conservation. To mark World Wildlife Day, the Konza Technopolis Development Authority staff took their time to replenish the watering points situated within the Konza Technopolis wildlife corridor as they thoughtfully distributed essential hay to support the wildlife that was grappling with the challenges posed by an extended period of drought. Our local wildlife stands as a symbol of our pride and collective responsibility. The Authority therefore embraces collaborations aimed at preserving and safeguarding the rich wildlife found within our precinct.



Konza and ICM staff during the hay distribution exercise at Konza Technopolis



Zebras and wildebeest along the wildlife corridor at Konza Technopolis

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Empowering the Lukenya One Million Marathon: Konza's Vital Support for Sustainable Greening

In the month of March 2022, the Authority donated tree seedlings and took part in the inaugural Lukenya University "One Million Trees " Marathon which was held at the Lukenya main campus in Mtito Andei. The University has set out to plant 1 million Dry land indigenous trees in the next 5 years in the Mtito Andei /Kibwezi East Constituency area by growing 200,000 indigenous trees each year.

The indigenous trees will be planted in water catchment areas around the Chyulu Hills , and along riverbanks, public primary, secondary schools and other tertiary education institutions, Government offices and markets, national parks or reserves and in villages and homes.

The marathon shall run for 5 years until the target of 1 million trees is met. KoTDA through the Konza Greening Initiative which aims to partner with relevant bodies and agencies to contribute towards the 30% tree cover by 2032 as envisaged by the National Tree Growing Restoration Campaign (NTGRC) launched by H.E President William Ruto on 21st December 2022.



Konza and Lukenya staff during the Lukenya One Million Marathon at the Lukenya Main Campus



Ms. Evalyn Okoth (L) awards the winner of the Lukenya One Million Marathon

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Konza Participates in Chemususu Marathon

In December 2022, Konza proudly sponsored and took an active role in the annual Chemususu Dam Half Marathon held in Eldama Ravine, Baringo County. The marathon aims at promoting the conservation of the environment and fighting climate change. As a responsible corporate entity, Konza recognizes the significance of initiatives like the Chemususu Marathon in driving awareness and action towards a sustainable future. By supporting this event, Konza reaffirms its commitment to environmental stewardship and its role in fostering positive change within local communities and beyond.



Konza staff during the Chemususu Half Marathon 2022

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Empowering Girls in ICT: Konza Technopolis Celebrates International Girls in ICT Day

In April 2023, the Authority commemorated International Girls in ICT Day by extending invitations to 20 young girls, inviting them to participate in a mentorship program hosted at Konza Technopolis. Furthermore, the event witnessed the active participation of 15 accomplished women working within the ICT sector at Konza.

International Girls in ICT Day, observed on the fourth Thursday of April, serves as a platform to raise awareness about the imperative for increased female representation in the information and communications technology (ICT) field. This initiative finds its roots in Plenipotentiary Resolution 70 (Rev. Busan, 2014), championed by the Member States of the International Telecommunication Union. The resolution aims to establish programs that inspire girls and young women to explore studies and careers in the realm of information and communication technologies.



Konza staff, Women in Technology Huawei with a team of young women from different universities during the Girls in ICT Mentorship Program

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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 Entity's affairs.

i) Principal activities

The mandate of Konza Technopolis Development Authority is to develop Konza Technopolis as a globally competitive smart city by creating an enabling environment through utilization of ICT for socio-economic development. Implementation of the following infrastructure for Phase 1 is ongoing and expected to be completed in year 2023.

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

ii) Results

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

iii) Directors

The members of the Board of Directors who served during the year are shown on page xxxi. During the year 6 directors retired and 6 directors were appointed with effect from 10th March 2023.

iv) 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 each financial year.

Konza Technopolis Development Authority is funded by Exchequer grants and did not make any surplus during the year and hence no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board


.....

Name

Corporation Secretary/Secretary to the Board

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



12. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Entity's financial statements, which give a true and fair view of the state of affairs of the Entity 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 Entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Entity; (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 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 Konza Technopolis 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 KoTDA, 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.

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023



In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and nothing has come to the attention of the Directors to indicate that the Entity 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 7th September 2023 and signed on its behalf by:

A handwritten signature in blue ink that reads "R. Raphael Munavu".

Name Raphael MUNAVU
Chairman of the Board

.....
Name
Chief Executive Officer

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KONZA TECHNOPOLIS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

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 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

Opinion

I have audited the accompanying financial statements of Konza Technopolis Development Authority set out on pages 1 to 37, 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Konza Technopolis Development 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 Legal Notice No.23 of 28 March, 2012 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis amounts of Kshs.9,835,072,000 and Kshs.9,139,397,000 respectively, resulting to underfunding of Kshs.695,675,000 or 7% of the budget. Similarly, the statement reflects actual expenditure of Kshs.8,933,921,000 against a budget of Kshs.9,835,073,000 resulting in under-expenditure of Kshs.901,152,000 or 9% of the budget.

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

My opinion is not modified in respect of this matter.

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 of the previous year, an issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources, However, the Management

has not resolved the issue or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting templates.

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 the use 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

Lack of an Enabling Legislation for Konza Technopolis Development Authority

The Konza Technopolis Development Authority Order, 2012 established the Kenya Technopolis Development Authority vide Legal Notice No.23 dated 28 March, 2012. Section 21(1) of the Statutory Instruments Act, 2013, states that subject to Sub-Section (3), a statutory instrument is by virtue of this section revoked on the day which is ten years after the making of the statutory instrument unless it is sooner repealed or expires; or a regulation is made exempting it from expiry. Therefore, the Legal Notice No.23 dated 28 March, 2012 automatically expired on the 27 March, 2022 being 10 years after the date that the legal notice came into operation. Further, Section 21(2) of the Act provides that, the responsible Cabinet Secretary may in consultation with the Committee, make a regulation under this Act extending the operation of a statutory rule that would otherwise be revoked by virtue of this section for a period as is specified in the regulation not exceeding twelve months.

Although the Statutory Instruments Act, 2013 was subsequently amended in the year 2023, and Section 21 of the Act repealed, the Authority has continued to operate without a legal regulatory and administrative framework since 28 March, 2022.

In the circumstances, the Cabinet Secretary was in breach of the law.

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 matters 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 governance were not effective.

Basis for Conclusion

1. Failure to Implement Disaster Recovery Mechanisms for the National Data Center

Review of records and audit inspection revealed that the Konza National Data Centre is complete and running with a total of eighty-two (82) clients on board. A Disaster Recovery (DR) site has also been established in an offsite location. Further, review of the project status report revealed that the DR site was yet to be connected with a permanent and dedicated network link and therefore was not operational. In addition, the DR site has no fire suppression systems, outdoor cameras and has not been tested and fully operationalized. Data was being backed-up in the same servers located in the Primary Data Center. This is contrary to Section 9.3 of the Government ICT Information Security Standards, 2023 that require the Ministries, Counties, Departments and Agencies (MCDAs) to establish processes to ensure the prevention and recovery from potential threats to the organization to ensure that personnel and assets are protected and are able to recover quickly in the event of a disruption or disaster.

In the circumstances, the effectiveness of internal controls and risk management in relation to disaster recovery and business continuity could not be confirmed.

2. Failure to Comply with the Data Protection Act, 2019

Review of records revealed that the Authority is in the process of implementing the requirements of the Data Protection Act, 2019 by establishing positions of Senior Data Protection Officer and Data Protection Officer in its career progression guidelines. However, there was no evidence provided to support the actual filling of these positions. Although the Authority collects data from various data subjects (employees, potential investors, service providers and visitors) and stores large amounts of data belonging to more than sixty (60) clients, there was no evidence of data protection initiatives including establishment of a data protection policy and undertaking data privacy impact assessments on ICT projects, among others. This is contrary to the Data Protection Act, 2019 and Sections 8.3 and 8.4 under Chapter 8 of Mwongozo Code of Governance for State Corporations (compliance with laws and regulations) which require organizations to put in place internal controls to promote compliance with applicable regulations, laws and standards, as well as to perform legal compliance audits and report on the same.

Further, the Authority has not implemented a data management strategy to guide the creation, processing, storage and archiving of data, contrary to Section 11.10 of the Government ICT Information Security Standard, 2023, that requires MCDAs to implement data masking in accordance with the access control policy, business requirements and applicable legislation to limit exposure of personally identifiable information.

In the circumstances, the effectiveness of controls on data protection and privacy for both customers and staff by the Authority could not be confirmed.

3. Inadequate Onboarding Procedures for Data Centre Customers and Staff

Review of records revealed that there is a defined process of onboarding, provisioning and terminating clients through filing of various forms for data center services. However, apart from filling the form, there was no evidence to show that more background information was being sought by the Authority as part of “Know Your Customer” (KYC) requirements. This includes an elaborate vetting process carried out by an independent and approved Government Agency such as the National Intelligent Service (NIS) for both customers in need of services and staff working in the data center.

In the circumstances, the effectiveness of internal controls and risk management 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 controls, 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 controls 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority’s ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls.

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

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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

25 March, 2024

14. Statement of Financial Performance for the year ended 30 June 2023


		2022-23	2021-22
	Note	30-Jun	30-Jun
		Kshs '000'	Kshs '000'
Revenue from non-exchange transactions			
Transfers from other governments entities	6	424,500	489,100
		424,500	489,100
Revenue from exchange transactions			
Rental revenue from facilities and equipment	7	115,662	64,442
Other income	8	63,702	79,035
		179,364	143,477
Total revenue		603,864	632,577
Expenses			
Employee Costs	9	215,019	189,585
Board Expenses	10	21,054	30,163
Use of Goods and Services	11	220,691	221,984
Repairs and Maintenance	12	8,378	7,958
Other Expenses	13	160,497	154,727
Depreciation & Amortization expense	14	30,263	30,192
Total Expenses		655,901	634,608
Surplus/(Deficit) for the Period		(52,037)	(2,031)

The notes set out on pages 8 to 39 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:



Name: John Paul Okwiri
Chief Executive Officer

Date



Name: Norman Mwangi
CM Corporate Services
ICPAK M/No: 4647

Date



Name: Prof. Raphael Munavu
Chairman of the Board

Date

15 Statement of Financial Position as at 30 June 2023


		2022-23	2021-22
	Note	30-Jun	30-Jun
		Kshs '000'	Kshs '000'
Assets			
Current Assets			
Cash and cash equivalents	15	586,555	1,199,103
Receivables from exchange transactions	16	214,011	247,850
Inventories	17	2,597	2,063
Total Current Assets		803,163	1,449,016
Non-current Assets			
Property, Plant and Equipment	18	6,830,419	6,096,720
Intangible Assets	19	6,813	19,146
Work in Progress	20	51,060,842	43,701,244
Total Non-Current Assets		57,898,074	49,817,110
Total Assets		58,701,237	51,266,127
Liabilities			
Current Liabilities			
Payables from exchange transactions	21	638,185	497,943
Total Current Liabilities		638,185	497,943
Net assets		58,063,052	50,768,183
Capital Reserve	22(a)	53,837,492	46,490,586
Revaluation Reserve	22(b)	22,435	22,435
Accumulated Surplus	22(c)	4,203,125	4,255,162
Total Reserves		58,063,052	50,768,183

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




Name: John Paul Okwiri
Chief Executive Officer

Date



Name: Norman Mwangi
CM Corporate Services
ICPAK M/Number: 4647

Date



Name: Prof. Raphael Munavu
Chairman of the Board

Date

16. Statement of Changes in Net Assets for the year ended 30 June 2023

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
As at July 1, 2021	0	22,435	0	4,257,193	0	33,919,166	38,198,794
Issued new capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-	-
Surplus/ deficit for the year	-	-	-	-2,031	-	-	-2,031
Capital/development grants received during the year	-	-	-	-	-	12,571,420	12,571,420
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Interim dividends paid	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
As at June 30, 2022	0	22,435	-	4,255,162	-	46,490,586	50,768,183
As at July 1, 2022	-	22,435	-	4,255,162	-	46,490,586	50,768,183
Issue of new share capital	0	0	0	0	0	0	0
Revaluation gain	-	-	-	-	-	-	0
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	0
Deferred tax on excess depreciation	-	-	-	-	-	-	0
Fair value adjustment on investments	-	-	-	-	-	-	0
Surplus/ (deficit) for the year	-	-	-	-52,037	-	-	-52,037
Capital/development grants received during the year	-	-	-	-	-	7,346,906	7,346,906

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Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	0
Dividends paid	-	-	-	-	-	0
Interim dividends paid	-	-	-	-	-	0
Proposed final dividends	-	-	-	-	-	0
As at June 30, 2023	-	22,435	-	4,203,125	53,837,492	58,063,052

17. Statement of Cash Flows for the year ended 30 June 2023

		2022-23	2021-22
	Note	30-Jun	30-Jun
		Kshs '000'	Kshs '000'
Cash flows from Operating Activities			
Receipts			
Transfers from government	6	424,500	489,100
Rental revenue from facilities and equipment	7	115,662	64,442
Other income	8	63,702	79,035
		603,864	632,577
Payments			
Employee Costs	9	215,019	189,585
Board Expenses	10	21,054	30,163
Use of Goods and Services	11	220,691	221,984
Repairs and Maintenance	12	8,378	7,958
Other Expenses	13	160,497	154,727
		625,639	604,416
Increase in Inventories		(534)	2,017
Net cash flows from operating activities		(22,308)	30,178
Cash flows from investing activities			
Purchase of property, plant, equipment and WIP assets		(751,629)	(539,321)
Decrease/increase in Accounts Payables		140,242	382,994
Decrease/(Increase) in Accounts Receivable		33,839	(12,151)
Net cash flows used in investing activities		(577,549)	(168,478)
Cash flows from financing activities			
Development grant		-	487,600
Data centre project grant- New Vehicles		(12,691)	12,691
Net cash flows from financing Activities		(12,691)	500,291
Net increase/(decrease) in cash and cash equivalents		(612,548)	361,991
Cash and cash equivalents at the beginning of year		1,199,103	837,112
Cash and cash equivalent as at 30 June 2023		586,555	1,199,103

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original Budget (A)	Adjustments (C-A)	Final budget (C)	Actual	Performance difference	Absorption rate
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	%
REVENUE						
Government grants and subsidies - Development	975,000	636,000.00	339,000	-	-339,000	0%
A-in- A Foreign Loan	8,150,700	-	8,150,700	7,754,661	-396,039	95%
Government grants and subsidies - Recurrent	439,000	14,500.00	424,500	424,500	0	100%
Balance b/f	785,608	4,736.00	780,872	780,872	-	100%
Other Income	140,000	-	140,000	179,364	39,364	128%
Total income	10,490,308	655,236.00	9,835,072	9,139,397	-695,675	93%
RECURRENT EXPENDITURE	868,670	0	868,670	677,846	190,824	78%
EMPLOYEE COSTS	265,933	0	265,933	255,019	10,913	96%
BOARD EXPENSES	24,100		24,100	21,054	3,046	87%
USE OF GOODS & SERVICES	304,200	0	304,200	230,376	73,824	76%
REPAIRS AND MAINTENANCE	13,500		13,500	10,899	2,601	81%
OTHER EXPENSES	260,937	0	260,937	160,497	100,440	62%
CAPITAL EXPENDITURE	8,966,403	0	8,966,403	8,256,075	710,327	92%
Purchase of Office furniture & equipment	7,000		7,000	392	6,608	6%
Partitioning of 6th floor	54,000	0	54,000	17,317	36,683	32%
Phase 1 A Streetscape Design & Wastewater Reclamation	104,000	-	104,000	27,440	76,560	26%
Konza Complex	470,268	-	470,268	280,212	190,055	60%
Master Delivery Partner 2	180,435	-	180,435	176,053	4,382	98%
EPCF Horizontal Infrastructure	5,150,700	-	5,150,700	5,150,425	275	100%
Konza Data Centre and Smart City F. P	3,000,000	-	3,000,000	2,604,236	395,764	87%
TOTAL EXPENDITURE	9,835,073	-	9,835,073	8,933,921	901,151	91%

NOTE

The differences in employee cost, use of goods and services, repairs and maintenance on the statement of performance and on the statement of budget comparison are due to different accounting. The statement of budget comparison is based on a cash basis, while the statement of performance is based on an accrual basis of accounting.

Budget notes

A: Development grants: During the period, the Authority did not receive Gok exchequer grants for development which has impacted adversely the execution of planned works & deliverables and increased pending bills.

B: Partitioning of 6th floor: Partitioning of 6th floor in progress and expected to be concluded in the next financial year

C. Other income: The Authority realized increased uptake and payment of lease fees for parcels at the Authority to enjoy 50% discount on stand premium.

D. Use of goods and services: There was a delay in receipt of Recurrent Exchequer during the period affecting the procurement of goods and services leading to scale down in operations. Activities affected included PR & Marketing, project administration, Masterplan Modelling and cadastral surveys among others.

F: The procurement processes the for acquisition of office furniture and equipment will be done once the partitioning work is substantially complete.

G: Phase 1 A Streetscape Design & Wastewater Reclamation: The low budget absorption is due lack of exchequer. There are pending bills to be paid.

H: Konza Complex project: The low budget absorption is due to lack of exchequer. There are pending bills to be paid.

19. Notes to the Financial Statements

1. General Information

Konza Technopolis Development Authority is established by and derives its Authority and accountability from Legal Notice No. 23 of 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is the development of Konza Technopolis as a Sustainable smart city and a leading global Technopolis and innovation hub.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 *Entity'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 *Entity*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. 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:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p>

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <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>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <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). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Notes to the Financial Statements (Continued)

- 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	
IPSAS 44:	<i>Applicable 1st January 2025</i>
Non- Current Assets Held for Sale and Discontinued Operations	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 Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be

measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

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 the Current FY was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of *Ksh 40 million* on the 2022/2023 budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the *Entity* operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Entity* and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment property is measured at fair value with gains and losses recognised through surplus or deficit.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

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

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Entity*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Entity* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *Entity* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

The *Entity* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *Entity* 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) 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. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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 *Entity*.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) Contingent liabilities

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

n) Contingent assets

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

o) Nature and purpose of reserves

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

p) 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.

q) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. The Authority operates a Defined contribution plan.

r) Foreign currency transactions

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) 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.

t) 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 *Entity*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

u) Service concession arrangements

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) Cash and cash equivalents

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

w) Comparative figures

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

x) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments 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. State all judgements, estimates and assumptions made:

Estimates and assumptions.

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

Useful lives and residual value

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 Entity.
- 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

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 40. 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.

Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

	2022-23	2021-22
Description	30-Jun	30-Jun
Unconditional grants	Kshs '000'	Kshs '000'
Operational grant	424,500	489,100
Development grant	-	-
Total grants	424,500	489,100

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021/22
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	KShs '000'
Ministry of ICT	424,500			424,500	489,100
Accrued Income-Treasury					
Total	424,500	-	-	424,500	489,100

7. Rental Revenue From Facilities And Equipment

	2022-23	2021-22
Description	30-Jun	30-Jun
	Kshs '000'	Kshs '000'
Operating lease revenues	113,171	61,386
Rental income	2,491	3,056
Total rentals	115,662	64,442

8. Other Incomes

	2022-23	2021-22
Description	30-Jun	30-Jun
Other Income	Kshs '000'	Kshs '000'
Service Concession fees	-	14,022
Application fees	130	24,560
Other incomes	63,572	40,453
Total	63,702	79,035

Notes to the Financial Statements (Continued)

9. Employee Costs

	2022-23	2021-22
Description	30-Jun	30-Jun
	Kshs '000'	Kshs '000'
Salaries & Wages	184,691	160,272
Social Contributions to NSSF	839	774
Employer contribution to pension schemes	11,339	10,982
Gratuity	18,150	17,555
TOTAL	215,019	189,585

10. Board Expenses

	2022-23	2021-22
Description	30-Jun	30-Jun
	Kshs '000	Kshs '000
Sitting Allowance	5,460	7,320
Travel, Accommodation and Subsistence	4,719	4,699
Catering services and Hospitality	973	1,009
Chairman's Honoraria	960	960
Airtime	84	84
Board Training	3,535	2,557
Board Investor/stakeholder engagement	5,322	4,654
CEO's Salary		8,880
TOTAL	21,054	30,163

11. Use of Goods And Services

	2022-23	2021-22
Description	30-Jun	30-Jun
	Kshs '000	Kshs '000
Water	755	322
Electricity	5,840	6,090
Cleaning	2,041	2,212
Telecommunication costs	845	401
General office and consumables, Hospitality & catering	9,192	9,321
Training and development	10,506	23,538
Bank Charges	777	632
Travel, accommodation, subsistence, and other allowances	14,426	9,498
PR, Advertising, Branding and Events	31,385	41,527
Staff Insurance	16,886	19,393
Conferences and delegations	53,523	23,954
Konza Security	26,178	20,665
Club subscription and Membership	775	2,413
Staff recruitment costs	1,583	3,753
Office Automation	6,926	12,371
Professional Services-facility mgt	10,630	12,654
Staff Uniform	293	200
General Insurance	3,691	2,289
Tax on Interest	2,816	4,766

Strategic Planning costs	-	3,681
ISO Certification Costs	3,795	5,055
Audit fees	2,300	1,000
Fuel and Lubricants	6,999	7,196
Consultancy fees -Legal fees, Audits & Research	8,528	3,489
Team Building	-	5,562
Total	220,691	221,984

12. Repairs and Maintenance

Description	2022-23	2021-22
	30-Jun	30-Jun
	Kshs '000	Kshs '000
Motor Vehicles Repair and Servicing	4,719	5,197
Building Maintenance costs	3,659	2,761
Total	8,378	7,958

13. Other Expenses

Description	2022-23	2021-22
	30-Jun	30-Jun
	Kshs '000	Kshs '000
Konza Greening	7,467	7,645
Project Administration costs	5,620	7,462
Data Centre Administration Costs	88,791	115,745
Development control expenses	35,602	23,874
Buffer zone management costs	23,017	
Total	160,497	154,727

14. Depreciation and Amortization Expense

Description	2022-23	2021-22
	Kshs '000'	Kshs '000'
Property, plant, and equipment	15,035	15,833
Intangible assets	15,228	14,359
Total depreciation and amortization	30,263	30,192

15. Cash and Cash Equivalent

Description	Account number	30.06.2023	30.06.2022
		Kshs '000	Kshs '000
Current account	1141631520	472,215	1,135,324
Development A/c	1258227568	40,340	63,779.25
Mortgage Fund Account	1304070212	74,000	
Total		586,555	1,199,103

Details of Cash and Cash Equivalent

Description		30.06.2023	30.06.2022
Financial institution	Account number	Kshs '000'	Kshs '000'
Kenya Commercial bank			
a) Current Account	1141631520	472,215	1,135,324
b) Development Bank A/c	1258227568	40,340	63,779
c) Staff Mortgage Account	1304070212	74,000	-
Total		586,555	1,199,103

16. Receivables from Exchange Transactions

	30.06.2023	30.06.2022
Description	Kshs '000	Kshs '000
Accrued transfers & lease fees	0	0
Prepaid payments	14,460	8,455
Prepaid Infrastructure	175,426	209,998
Water Debtors	18,871	24,797
KPLC Deposit	4,600	4,600
Dekut DDRC Rent Deposit	654	-
Total receivables	214,011	247,850

17. Inventory

	30.06.2023	30.06.2022
Description	Kshs '000	Kshs '000
Stores Consumables	2,597	2,063
Total	2,597	2,063

18. Property, Plant and Equipment

	Land	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Boreholes	40FT containerized Housing Units	Capital Work in progress			WIPMDP 2		Total
								Building	Water works	Access road	Consultancy fees	Shs	
Cost	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	'000'	
At 1st of July 2020	1,000,000	29,677	11,544	21,706	6,550	9,700	-	1,875,279	87,070	651,935	1,670,699	5,364,160	
Additions	-	-	12,589	7,080	4,881	-	-	102,191	61,730	69,199	15,504	273,175	
Transfer/adjustments							0						
As at 30th June 2021	1,000,000	29,677	24,133	28,786	11,431	9,700	-	1,977,470	148,800	721,133	1,686,204	5,637,334	
Additions	-	12,691	2,369	2,235	912	-	-	276,565	36,063	208,486	-	539,321	
Transfer/adjustments													
As at 30th June 2022	1,000,000	42,368	26,501	31,021	12,342	9,700	-	2,254,035	184,863	929,620	1,686,204	6,176,656	
Additions	-	-	392	5,095	-	-	2,521	317,915	-	234,600	188,210	748,734	
Transfer/adjustments													
As at 30th June 2023	1,000,000	42,368	26,893	36,116	12,342	9,700	2,521	2,571,951	184,863	1,164,220	1,874,414	6,925,389	
At 1st of July 2020													
Depreciation and impairment													
As at 30th June 2021	-	24,712	7,249	15,974	2,997	1,213	-	-	-	-	-	52,144	
Depreciation 2020/21	-	1,655	3,017	4,645	1,429	1,213	-	-	-	-	-	11,958	
Disposals												-	

19. Intangible Assets

Description	30.06.2023	30.06.2022
	Kshs '000	Kshs '000
Cost		
At beginning of the year	47,864	42,227
Additions	2,895	5,638
At end of the year	50,760	47,864
Additions—internal development		-
At end of the year	50,760	47,864
Amortization and impairment		
At beginning of the year	28,719	14,359
Amortization	15,228	14,359
At end of the year	43,947	28,719
Impairment loss	-	-
At end of the year		
NBV	6,813	19,146

20. Work in Progress

Description	30.06.2023	30.06.2022
	Kshs '000	Kshs '000
Horizontal Infrastructure		
Cost		
At beginning of the year	33,916,481	23,745,412
Additions (Capital Reserves)	4,742,671	10,171,070
Cost at the end of the period	38,659,152	33,916,481
National Data Centre and Smart City		
Cost		
At beginning of the year	9,784,763	7,884,704
Additions (Capital Reserves)	2,604,236	1,900,059
Cost at the end of the period	12,401,690	9,784,763
Total WIP	51,060,842	43,701,244

21. Trade and Other Payables

Description	30.06.2023	30.06.2022
	Kshs '000	Kshs '000
Trade payables	553,134	236,977
Other payables	47,550	237,179
Staff gratuity Fund	37,501	23,787
Total	638,185	497,943

Notes to the Financial Statements (Continued)

22. General Reserves

i) Reserves

	30.06.2023	30.06.2022
Description	Kshs '000	Kshs '000
a) Capital Reserve	53,837,492	46,493,415
b) Revaluation Reserve	22,435	22,435
c) Accumulated Surplus	4,203,125	4,255,162
Total Reserves	58,063,052	50,768,183

ii) Changes in Reserves

	2022-23	2021-22
Description	Kshs '000'	Kshs '000'
a) Capital reserve		
At beginning of the year	46,490,586	33,919,166
Additions-Horizontal infrastructure & Data Centre grant	7,346,906	12,571,420
At end of the year	53,837,492	46,490,586
b) Revaluation reserve		
At beginning of the year	22,435	22,435
Additions	-	-
At end of the year	22,435	22,435
c) Accumulated Surplus		
At beginning of the year	4,255,162	4,257,193
Additions-Surplus/(Deficit) for the year	-52,037	-2,031
At end of the year	4,203,125	4,255,162

23. Cash Generated from Operations

Cash generated from operations	30.06.2023	30.06.2022
	Kshs '000	Kshs '000
Surplus for the year before tax	-52,037	-2,031
Adjusted for:		
Depreciation	30,263	30,192
Non-cash grants received		
Working Capital adjustments		
Decrease/Increase in inventory	-534	2,017
Decrease in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities	-22,308	30,178

Notes to the Financial Statements (Continued)

24. Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs '000'	Kshs '000'	Kshs'000'
Land	1,000,000	-	1,000,000
Buildings	2,571,951	-	2,571,951
Boreholes	9,700	4,850	4,850
Motor Vehicles, Including Motorcycles	42,368	36,023	6,345
Computers And Related Equipment	36,116	30,948	5,168
Office Equipment	12,342	7,125	5,217
Furniture, And Fittings	26,893	15,924	10,969
40FT containerized Housing Units	2,521	101	2,420
Total	3,701,891	94,971	3,606,920

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Boreholes	9,700	1,213
Motor Vehicles including Motorcycles	42,368	4,828
Computers and Related Equipment	35,364	5,216
Office Equipment	12,342	1,543
Furniture and Fittings	26,893	3,034
40FT containerized Housing Units	2,521	101
Total	129,188	15,935

Notes to the Financial Statements (Continued)

25. Contingent Assets and Liabilities

The MDP 2 Consultants have lodged claims on unpaid invoices for deliverables execution of which have been disputed totalling to USD 1,994,132.19, interest on unpaid invoices of USD 796,447.31. Negotiations on the eligible invoices are ongoing.

Description	2022-2023	2021-2022
	Kshs'000'	Kshs'000'
Claims arising MDP 2 Contracts	645,274	645,274
Disputed Data centre facility mgt costs	-	6,431
Total	645,274	651,704

26. Capital Commitments

The commitments related to services that were contracted and authorized during the year but were not executed partly or not fully executed to be paid from the operations budget of the next financial 2023/24. They include contracts for partitioning and audit services.

Description	2022-2023	2021-2022
	Kshs	Kshs
Authorised for	5,000	54,000
Authorised and contracted for	49,500	6,297
Total	54,500	60,297

27. Events after the Reporting Period

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

28. Ultimate And Holding Entity

The Authority is a State Corporation under the Ministry of Information Communication and the Digital Economy. Its ultimate parent is the Government of Kenya.

29. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

30. Appendices

Appendix I: Implementation Status of Auditor-General's Recommendations

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>Understaffing of the Authority The Authority has an approved staff establishment of 187 employees. As at the time of Audit 63 positions had been filled leaving a deficit of 124 position. In the Circumstance, the Authority may not be in position to deliver on its mandate while the controls realized from segregation of duties may not be realized due to fewer number of staff</p>	<p>The Authority submitted a request to National Treasury for funding recruitment of new staff to enable the Authority deliver on its mandate.</p>	<p>Manager Human Resource and Administration</p>	<p>Not Resolved</p>	<p>June 2024</p>



C.E.O

Date:

Appendix II: Projects implemented by Konza Technopolis

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

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
1. EPCF Horizontal Infrastructure project		ICM SPA	August 2018 -Dec 2022	USD 391.9 million	No	Yes
2. Konza National Data Centre and Smart city project		Huawei Technologies Company	July 2019- June 2027	USD 159.9 million	No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	EPCF Horizontal Infrastructure project	USD 391.9 Million	USD 355 Million	90%	Kshs. 5.15 Billion	Kshs. 5.15 Billion	Foreign loans
2	Konza National Data Centre and Smart city project	USD 159.9 Million	USD 78.56 Million	78%	Kshs. 3.Billion	Kshs. 2.6 Billion	Foreign loans and Gok Exchequer

1. Horizontal Infrastructure Phase 1

This Project covers 400 acres of Phase 1 of the Master plan and the Contract was awarded to Impresa Costruzioni Maltauro (ICM S.P.A.) in 2017. The Notice of Commencement of works for the project was granted to the Contractor- ICM SpA on 3rd August 2018 and is due for completion in December 2023.

The project entails:

1. Phase 1 streetscapes - roads, stormwater drainage facilities, water distribution, sewage collection & treatment, electrical distribution conduits (passageways), fibre optics conduits and landscaping of streets and parks.
2. Wastewater reclamation facility.
3. Electrical system; including power lines and numerous electrical substations.

4. Public facilities that include Solid Waste Handling Facility; Police and Fire Station; an Entrance and Security Feature; and a Transit Hub.

Physical progress of the project is at 90% with USD 355.295 Million spent of the total project cost of USD 391.9 Million. The key activities undertaken during the period include:

Phase 1 Streetscapes, waterworks, ICT Networks & landscaping

Stormwater & Foul Sewerage: During the financial quarter, foul sewerage network process pipes were not installed since the completion rate is still at 98%. The stormwater network stands at 94%. A total of 56,596 metres of process pipes.

Water supply and Irrigation Reuse: During the financial quarter, KoTDA installed HDPE (High Density Poly Ethylene) pipes for the water supply. A total of 41,419.54 metres of pipes were installed on the network bringing the completion rate to 94% as the close of the financial year. For the irrigation re-use pipeline network 30,304.48 metres of irrigation re-use pipes have been installed together with warning tapes bringing the completion rate to 96% as at the close of the year.

Solid Waste Network: During the financial quarter, no new network pipes have been installed since the completion rate still stands at 96.01% from the previous quarter. Construction of the Solid Waste sorting facility began.



Backfilling at the Solid Waste Sorting Facility.

Medium Voltage (MV) Network & Low Voltage (LV) Network: During the year under review, conduit pipes carrying the MV lines were installed with sand bedding and burying of the pipes going

hand in hand. The completion rate stood at 89.5% with 18,496 metres of Conduit pipes having been installed as at the end of the quarter.

Similar to the MV network, conduit pipes carrying the LV lines were also installed. The pipes were sand bedded and buried with required safety measures such as a warning tape being put in place. The completion rate stood at 65.5% with 35,725 metres of LV conduit pipes have been installed as at the close of the quarter.



Laying of LV Network at the Water Treatment Plant

ICT Network: ICT ducts were laid in bulk during the financial year. The laying of ICT conduit pipes is similar to that of the LV and MV networks. A total of 63,987 metres of ICT conduits had been laid bringing the completion rate to 64.72%.

Streetlights: This includes the streetlight poles, intermediary manholes and a subsurface network of conduit pipes. During this quarter, KoTDA continued with installation of various poles for the commercial office, technology, residential and university within the city. A total of 38,427 metres of streetlight conduit network done. The completion rate stands at 84.6% for the streetlight network.

Roadway Work: This involves laying of road subgrade, GCS road subbase, Asphalt base course, Asphalt binder course and Asphalt wearing course. Also, the erection of traffic light poles took place. During the financial quarter, the following roadworks were executed 42,189 metres of road subgrade, 38,308 metres of GCS road subbase, 34,317 metres of Asphalt base course and 9550 metres of Asphalt binder course. This represents a completion rate of 95%, 86%, 77% and 44% respectively.



Traffic light poles installed in the city.

Landscaping: This entails the creation of nature parks and urban parks for recreation of residents. Landscaping work has not yet begun.

Wastewater reclamation facility (WRF)

During the financial quarter, finishing works commenced such as partitioning and paint works. Laying of Asphalt Base Course was done also. The completion rate is 93.00% as at the close of the financial quarter.



Installation of road kerbs at the WRF road network.



Priming of road surface at WRF roads



Ariel view of the Wastewater Reclamation Facility

Water treatment plant

In this financial quarter, a lot of effort was focused on the Water Treatment plant. Laying of storm water networks, manholes, ICT and electricity network pipes was done in the Water Treatment Plant. The completion rate of this projects stands at 87%.



Stormwater process pipes at WTP



Setting of levels at WTP Maintenance Building

2. Konza Data Centre and Smart city project

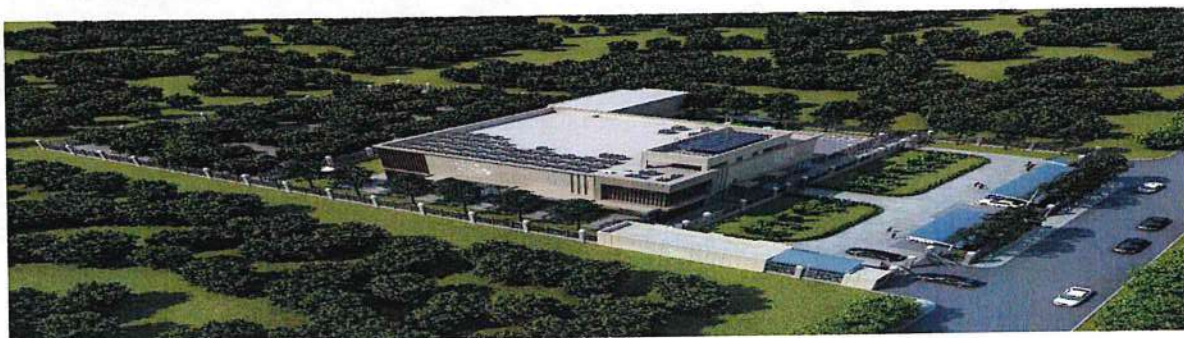
The Ministry of Information, Communications and Technology and Huawei Technologies Co. Ltd signed a Commercial Contract for Konza Data Centre and Smart City Facilities on 26th June 2017. The project consists of:

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

a. Konza National Data Center & Smart City Facility Project

The Konza National Data Center is a Tier III, Uptime Certified on a 3068 M² of build-up area and an additional 654 M² of whitespace. The Data Centre is implemented as a Government cloud (to support MDAs) and Enterprise cloud (to support private business enterprises and smart city facilities) with a total of 180 racks and 1.6 petabytes (PB) of storage capacity.

The Project progress is at 95% for the Data Centre installation and 40% for the Smart City Facilities pending supplementary contract amendment process closure.



Demonstration photo of KNDC

b. Phase 2 Data Centre: Disaster Recovery Centre

Site acquisition is completed; the contractor is currently mobilizing for works at the site. Physical construction complete as of 30 June 2023 is at 75%.

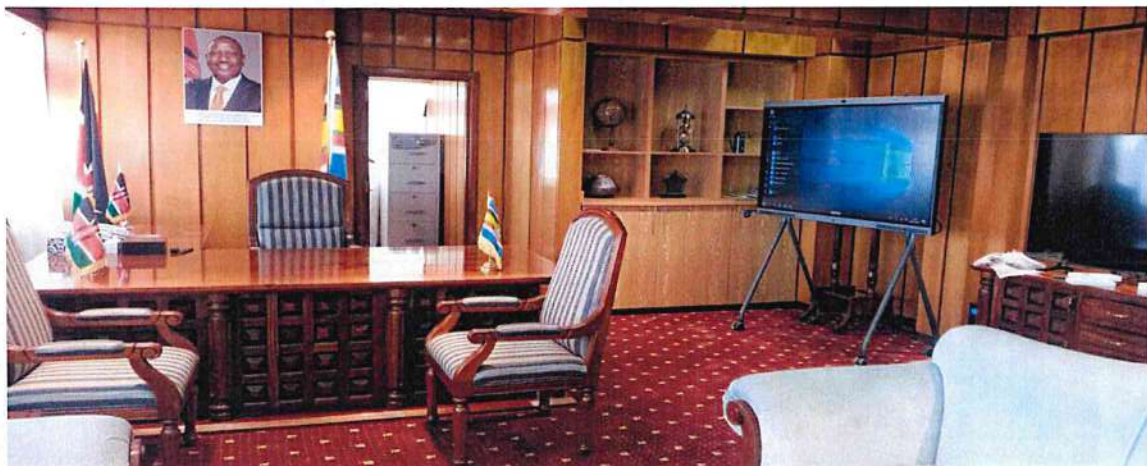


Construction of Data Centre Disaster Recovery Centre

c. Installation of VDI and Smart City Facility

The implementation of Phase 1 Smart city facilities is currently underway and preparations underway to begin construction of Intelligent Operations Center (IOC) and Experience Center on 5th Floor of Konza Complex. The Intelligent Operations Center (IOC) will be the nerve center for Konza City Operations and workspace for team City monitoring on controlling of all Smart City Facilities and service, directing and coordinating the city operations while Konza Smart City Experience Center will provide an interactive showroom that will show visitors/investors/ residents of the city hands-on experiences and demonstrations of how technology and innovation in the entire city work, urban mobility, waste management, water management, air quality, intelligent transport system, city surveillance etc

During the review period, KoTDA adopted and approved the designs of smart city components including the Smart Pole, Intelligent transport system, Intelligent operations center and Video conference -130 Smartboards. There was also roll out of Idea hubs to Cabinet and PS's offices.



Deployed Video Conferencing solutions (Idea Hubs)

d. Virtual Desktop Infrastructure (VDI)

The Authority has embarked on initiative of leveraging on the national Data Centre to provide cutting edge IT solutions/services to MDAS in line with government objective to digitize at least 80% of government services. The Authority has identified partners for collaboration to customize various solutions that will be hosted in the data center.

During the review period, 5,000 Enhanced VDI units were delivered to KoTDA & Proof of Delivery exercise completed out of these 300 Enhanced VDI units deployed & installed across three different sites.

- VDI deployment for TVETs launched at Kabete National Polytechnic by His Excellency and later by the PS at Rift Valley Innovation Center



Appendix III: Transfers from Other Government Entities

The Authority did not receive transfers from other government entities other than the inter-entity transfers from the Ministry of Information, Communication and the Digital Economy.

Appendix IV- Inter-Entity Confirmation Letter

ENTITY NAME:	MINISTRY OF INFORMATION, COMMUNICATION & THE DIGITAL ECONOMY		
Breakdown of Transfers from the State Department for ICT and Digital Economy			
	FY 22/23		
a	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (Kshs '000')</u>
			<u>FY to which the amounts relate</u>
	Transfers from the Ministry of ICT	23.09.2022	36,583
		28.09.2022	36,583
		22.12.2022	36,583
		21.02.2023	36,583
		21.02.2023	36,583
		21.02.2023	36,583
		21.02.2023	36,583
		23.03.2023	36,583
		06.04.2023	36,583
		02.05.2023	31,750
		09.06.2023	31,750
		23.06.2023	31,750
	Grand Total		424,500

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

Chief Manager Corporate Services
Konza Technopolis Development Authority

Sign 

Appendix V: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Konza Greening	Konza greening initiative	To develop a uniquely beautiful healthy green city, maintaining a clean and green atmosphere	planting 1,000,000 trees	0.7	0.09	0	5	GOK	KFS KDF Contractors Donors

Appendix VI: Reporting on Disaster Management Expenditure

The Authority did not incur any expenditure on disaster management during the Financial year 2022/2023

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Ksh s.)	Comments

