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Joyce Lemerelle

OF

THE AUDITOR-GENERAL

ON

KENYA MARITIME AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2021**

OFFICE OF THE AUDITOR GENERAL
P.O.Box 95202.MOMBASA

27 MAY 2022

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KENYA MARITIME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
30 JUNE 2021

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

Kenya Maritime Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background Information

Kenya Maritime Authority (KMA) was established on 21st June, 2004 vide Legal Notice Number 79 of 2004. The Board is in charge of giving strategic direction and the Director General is charged with the day to day affairs of the Authority.

(b) Principal Activities

The mandate of KMA is to regulate, co-ordinate and oversee maritime affairs. Our Vision is to be a “*leading maritime administration transforming Kenya into a globally competitive nation*” and the Mission is to “*ensure sustainable safe, secure, clean and efficient water transport for the benefit of stakeholders through effective regulation, coordination and oversight of maritime affairs*”.

Key objectives

The following are the key objectives of KMA:-

- (i) To develop an appropriate legal and regulatory framework and partnerships for maritime development.
- (ii) To strengthen the Authority’s institutional capacity to deliver on its mandate.
- (iii) To enhance maritime safety, security and protection of marine and aquatic environment.
- (iv) To advocate for the provision of a globally competitive maritime education and training.
- (v) To promote maritime research and development.
- (vi) To create a conducive environment for supply of competitive and quality commercial maritime services.

(c) Key Management

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

- The Board of Directors
- The Director General
- The Senior Management

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1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	DESIGNATION	NAME
1.	Director General	Robert Mutegi Njue 'ndc' (K)
2.	Head of Maritime Safety	Capt. Jeremiah Ojowi
3.	Corporation Secretary & Head of Legal Services	Ms. Jane F. Otieno
4.	Head of Commercial Shipping	Mr. John Omingo

(e) Fiduciary Oversight Arrangements

Finance and Human Resource Committee

The committee's activities include;

- a) The committee considers and submits for approval by the Board financial estimates of KMA's revenue and expenditure for the following financial year including proposals for funding all projects to be undertaken/completed during the year within the time frames laid down in law;
- b) Monitor expenditure and provide quarterly reports to the Board confirming that all expenditure is within the estimates approved by the Board;
- c) Developing a human resource policies consistent with the changing needs of KMA.

Technical and Operations Committee

The committee's activities include;

- a) Setting targets and negotiating on performance contracts;
- b) Reviewing and reporting on performance contract obligations to the Board;
- c) Ensuring that KMA's maritime safety and security obligations are effectively discharged;
- d) Facilitating, monitoring and overseeing the implementation of the maritime education and training curriculum in various institutions;
- e) Enhancing the legal framework;

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1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements (Continued)

- f) Setting strategic direction for KMA and monitoring the implementation of the strategic plan;
- g) Raising the standards of corporate governance on behalf of the Board;
- h) Overseeing the development, preparation and implementation of corporate communication policies and recommending management publicity programmes to the Board; and
- i) Providing guidance on Corporate Social Responsibility activities and monitoring their implementation.

Audit Committee

The committee's activities include;

- (a) Review with the internal and external auditors the co-ordination of audit effort to ensure completeness of coverage, avoid duplication of effort, and promote the effective use of audit resources.
- (b) Provides oversight over governance, risk management and control processes;
- (c) Review the legal and regulatory matters that may have a material impact on the financial statements, related compliance policies, and reports received from consultants.
- (d) Give guidelines on risk management.

Governance and Integrity Committee

The committee's activities include;

- (a) to enhance corporate affairs and communication within and outside KMA;
- (b) to monitor KMA's compliance with Corporate Governance principles;
- (c) to monitor and have an oversight role in KMA's Corporate Social Responsibility activities;
- (d) to safeguard the image of KMA by ensuring that ethical governance is upheld at all times;
- (e) assist in ensuring that the law is complied with; and
- (f) ensuring good governance for the KMA Board.

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1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(a) Kenya Maritime Authority Headquarters

P.O. Box 95076 - 80104
White House Building, Next to MSC Plaza
Moi Avenue
Mombasa.

(b) Contacts

Telephone: (254) 041 2318398/9
E-mail: info@kma.go.ke
Website: www.kma.go.ke

(c) Bankers

- i. Kenya Commercial Bank
Kilindini Branch
P O Box 90300
Mombasa.
- ii. Kenya Commercial Bank
Kisumu Branch
P. O. Box 4117-40100
Kisumu.
- iii. National Bank of Kenya
P. O. Box 87770-80100,
Mombasa.
- iv. Kenya Commercial Bank
P.O Box4087
Lamu.
- v. Kenya Commercial Bank
P.O Box4021
Lodwar.
- vi. Equity Bank
Moi Avenue Branch
P. O. Box 84618-80100
Mombasa.
- vii. Cooperative Bank of Kenya,
Nkurumah Road Branch,
P.O Box 87771 – 80100,
Mombasa.
- viii. Family Bank of Kenya,
Nkurumah Road Branch,
P.O Box 81630-80100
Mombasa.

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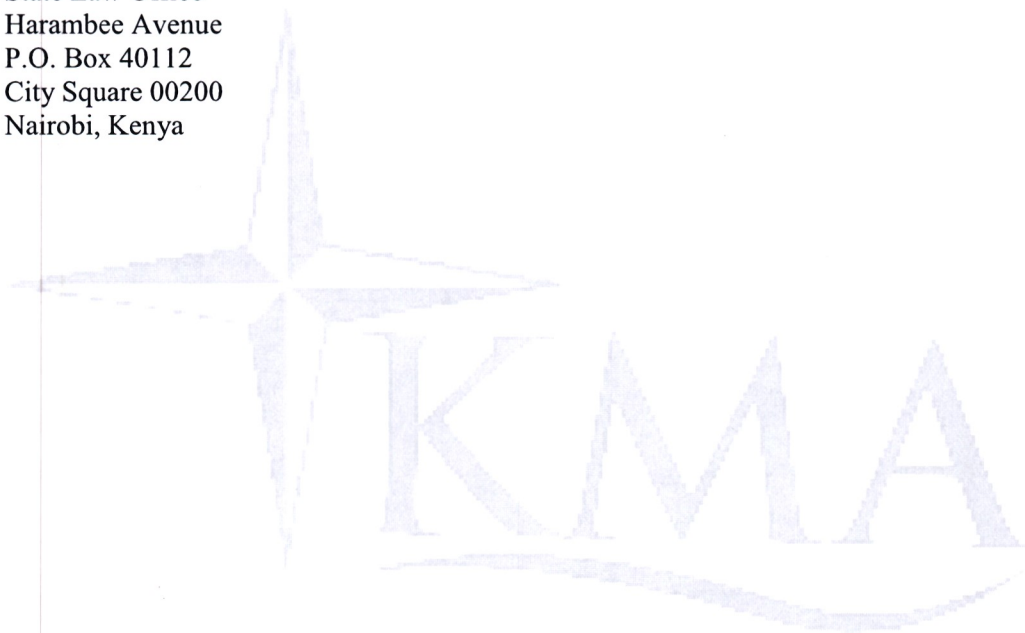
1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(d) Independent Auditors

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

(e) Principal Legal Adviser

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



**Kenya Maritime Authority
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2. THE BOARD OF DIRECTORS

The Directors who served during the period under review are:

Mr. Geoffrey Ngombo Mwango	Chairman
Robert Mutegi Njue HSC 'ndc' (K)	Director General
Hon. (Amb.)Ukur Yatani.	Cabinet Secretary, National Treasury
Nancy W. Karigithu, CBS	Principal Secretary, State Department for Shipping and Maritime Affairs
Rtd. J.Paul Kihara Kariuki	Attorney General
Charles Mutinda	Alternate to the Attorney General
Daniel M. Ndolo	Alternate to the Cabinet Secretary, The National Treasury
Adan Gedow Harakhe, HSC	Alternate to the Principal Secretary, State Department for Shipping and Maritime Affairs
Malika Omar	Re-appointed on 14 th September 2018
John G. Msafari, FICS, CRG (Gambia)	Appointed on 17 th October 2018
Roselyn Vugutza Amadi	Appointed on 17 th October 2018
Salaah S. Balala	Appointed on 17 th October 2018
Eng. Charles Kombe Charo	Appointed on 17 th October 2018
Rev. Joseph Kariuki Gatimu	Appointed on 17 th October 2018

**Kenya Maritime Authority
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2. THE BOARD OF DIRECTORS (Continued)



Mr. Geoffrey Mwango
Chairman,
Board of Directors



**Justice Paul Kihara
Kariuki**
Attorney General



Mrs. Nancy W. Karigithu, CBS
PS – State Department of Shipping
and Maritime



Mr. Daniel M. Ndolo
Alternate Director to
Cabinet Secretary National
Treasury



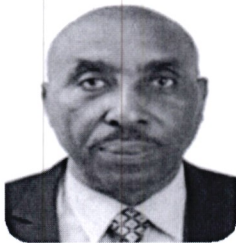
Mr. Adan Gedow Harakhe HSC
Alternate to the Principal Secretary
State Department for Shipping
And Maritime Affairs



Mr. Charles Mutinda
Alternate Director to the
Attorney General



Mr. Salaah S. Balala
Director



Rev. Joseph Kariuki Gatimu
Director



Eng. Charles Kombe Charo
Director



Mr. John Gerin Msafari
FICS, CRG (Gambia)
Director



Ms. Roselyn V. Amadi
Director



Ms. Malika Omar
Director



**Mrs. Jane Florence
Otieno**
Corporation Secretary and Head of
Legal Services



Mr. Robert Mutegi Njue HSC 'ndc' (K)
Director General

2. THE BOARD OF DIRECTORS (Continued)



Mr. Geoffrey Mwango
Chairman

Mr. Geoffrey Ngombo Mwango is the Chairman of the Board of Directors of Kenya Maritime Authority. Born in 1969, he is a Maritime Economist, a Maritime Consultant, a trained shipping specialist and an educationist in Port, Shipping and Transport Management. He is a founder and director of the Shipping and Transport College of East Africa based in Mombasa.

He has several years of productive regional trade facilitation in maritime expertise and management, shipping and transport. He previously worked for Kenya Maritime Authority as a Research & Business Development coordinator; Transworld Shipping & Logistics (K) Ltd as a Commercial Manager; Express Shipping & Logistics (EA) Ltd as Sales and Marketing Manager and the Nation Media Group Ltd in different capacities.

He is a member of the Institute of Chartered Shipbrokers (ICS-UK) and the International Association of Maritime Economists (IAME).



Ms. Malika Omar
Director

Ms. Malika Omar is an Independent member of the Board of Directors of Kenya Maritime Authority. Born in 1976, Ms. Omar is a dynamic and highly accomplished Shipping and Trade Finance Professional with over 13 years of experience with proficiency in shipping procedures, international economic and other international trade areas both in the Public and Private Sectors.

Ms. Omar has 10 years working experience at Dubai Bank (K) Ltd as an Assistant to trade Finance Officer and advanced to the role of Trade Finance Officer and later as head of Operations. Currently, Ms. Omar is the Managing Director of the Modern Maritime Services Ltd.



**Mr. Adan Gedow
Harakhe HSC**

Mr. Adan Harakhe is an alternate member of the Board to the Principal Secretary, State Department for Shipping and Maritime, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works - Mrs. Nancy N. Karigithu, CBS.

Mr. Harakhe has a wealth of experience and knowledge having worked for over 30 years in public service. He served as District Commissioner in various parts of the country and has been instrumental in the coordination of inter-agency response in the implementation of presidential directives in the upgrading of informal settlements and transformative youth empowerment Programmes and projects.

2. THE BOARD OF DIRECTORS (Continued)



**Mr. Daniel
M. Ndolo**
*Alternate Director to the
Cabinet Secretary National
Treasury*

Mr. Daniel M. Ndolo is an Alternate member of the Board of Directors of the Kenya Maritime Authority representing the Cabinet Secretary National Treasury and Planning – Hon. (Amb.)Ukur Yatani.

Mr. Ndolo has over 25 years' experience working in public sector institutions in Kenya. He has expertise in corporate governance; capital market operations, debt market development, projects management, financial risk management and stakeholder management. He has also served as senior advisor to senior public sector officials in public policy, public debt, public investments and stakeholder engagement.



Mr. Charles Mutinda
*Alternate Director to the Attorney
General*

Mr Charles Mutinda is an Alternate member of the Board of Directors in Kenya Maritime Authority representing the Attorney General, Mr. Paul Kihara. Born in 1976, Mr. Mutinda has over 15 years of experience working both in the Public and Private Legal Sector. He started as an Associate Advocate at B. M. Musau & Co. Advocates. He has worked in different capacities in the Office of the Attorney General as the Head of General Civil Law and Claims Section, Head of Land and Environment Section, Regional Head of the Office of the Attorney General-Mombasa, and currently the Head of Constitutional petitions Enforcement and interpretation section and the Ag. Deputy Head Civil Litigation Department and Head of Petitions Section. Mr.

Mutinda is currently at the Office of the Attorney General & Department of Justice as a Deputy Chief Litigation Counsel.

In his tenure at the Attorney General's office, he has been appointed to serve in various Tribunals, Working Groups and Taskforce Commissions. Mr Mutinda also successfully defended the Government in high level litigation and brings to the Authority a vast wealth of legal knowledge and experience.



Eng. Charles Kombe Charo
Director

Eng. Charles Kombe Charo is an Independent member of the Board of Directors of Kenya Maritime Authority. He is a holder of Executive Master of Business Administration, Moi University; holder of Masters of Arts in Environmental Planning & Management. He is also a holder of Bachelor of Science – Chemical Engineering with a wide experience in Management development with an Advanced Management certificate from Strathmore University.

2. THE BOARD OF DIRECTORS (Continued)



Rev. Joseph Kariuki Gatimu
Director

Rev. Joseph Kariuki Gatimu is an independent member of the Board of Directors of Kenya Maritime Authority. He is presently the Chairman of the Finance and General Purposes Committee. Born in 1956, Rev. Gatimu is an experienced Central Banker and Commercial banker, with hands-on experience in managing Operations, Internal Audit, Accounting and Finance, Procurement and Human Resources. In addition, Rev. Gatimu has over ten(10) years' experience in teaching, management related subjects in both Private and Public Universities in Mombasa and is also a seasoned mentor.



**Mr. John Gerin
Msafari**
FICS, CRG (Gambia)
Director

Mr. John Msafari is an independent member of the Board of Directors of Kenya Maritime Authority. He is presently the Chairman of the Audit and Risk Assurance Committee. Born in 1950, Mr. Msafari is a qualified business administrator with a wide experience in both private and public sector for over 35 years. He is a professional in International Trade, Shipping and Customs and a Consultant on Revenue Administration. He has worked in executive positions both in the public and private sectors.

Mr. Msafari is currently the Administrative Director of Alpha Group, a conglomerate of companies operating in East and Central Africa. He also served as the Commissioner General of the Kenya Revenue Authority (KRA) from 1998 to 2001. He has served for over 20 years as Chief Executive of Kenfreight (EA) Ltd and Oceanfreight (EA) Ltd – logistics and shipping companies respectively operating in East Africa.

Mr. Msafari also served as a Board member in the Kenya Ports Authority for six years from 1996 to 2001, the Central Bank of Kenya as well as the Kenya School of Monetary Studies (2011 to 2015), Kenya International Freight & Warehousing Association and the Kenya Ships Agents Association. He was a founder member and Chair of the Kenya Shippers Council.

2. THE BOARD OF DIRECTORS (Continued)



Mr. Salaah S. Balala
Director

Mr. Salaah S. Balala is an independent member of the Board of Directors of Kenya Maritime Authority. He is presently the Chairman of the Human Resource & Governance Committee.

Born in 1964, Mr. Salaah S. Balala is an experienced banker and has over 28 years specialised experience in the tea and coffee industry. He played a major role in the revival process of the Kenya National Chamber of commerce.

He is a member of the EATTA Committee, KNCC and a Director in the East African Tea Trade Association.

He brings to the Board his skills in entrepreneurship, management, leadership, and budget control and resource management.



Ms. Roselyn V. Amadi
Director

Ms. Roselyn V. Amadi is an independent member of the Board of Directors of Kenya Maritime Authority. She is presently the Chairperson of Technical and Operations Committee.

Born in 1955, Ms. Amadi is a lawyer with extensive experience in legal and policy evaluation and analysis, having worked as a regional consultant with IGAD and having demonstrated the ability to assess complex international law issues in the field of Human Rights, Trade, Environmental and Maritime law and sustainable development for a number of years.

She has worked as a Government Attorney in the Office of the Attorney General since 1984, within the Department of Treaties and Agreements (International Law). Ms. Amadi has dealt with World Trade Organization matters, Regional Integration issues at the EAC and COMESA.

Ms. Amadi is a founder and Member of Federation for Women Lawyers, Member of the LSK, Member of the National Committee Against Genocide Crimes against Humanity and War Crimes under the Great Lakes Protocol for the Prevention and the Punishment of the Crime of Genocide, War Crimes and Crimes Against Humanity and all forms of Discrimination and Member of Ethical Leadership Network among other engagements.



Robert Mutegei Njue HSC
'ndc' (K)
Director General

Mr. Njue holds a Master of Arts (MA) in International Studies and a Bachelor of Science (BSc) University of Nairobi. He is also a graduate of the National Defence College and has a Marine Law Enforcement training from the Federal Law Enforcement Training Centre, Glyco Georgia USA and Marine protection from Western Indian Ocean Marine Science (WIOMSA). He has also excelled in Advanced Open Water Diver Course from St. Phillips Central Bristol, PADI, Balance Scorecard Course from Strathmore University, Strategic Leadership and Executive Leadership courses from the Kenya Institute of Administration.

Born on 11th May 1965, Mr. Robert M. Njue 'ndc' (K), has a wealth of experience spanning over 22 years in conservation and 7 years in senior management.

2. THE BOARD OF DIRECTORS (Continued)

Over this period, he has spearheaded government departments at senior management level leading to the development and execution of long term and short-term strategic plans. Amongst his key achievements include: building very effective teams and staff with passion and total commitment to call of duty, managing two conservation areas effectively (Eastern Conservation Area and Mountain Conservation Area), coordinated the biggest ever translocation in the world within one month where a total of 1800 animals were translocated to Meru National Park.

Mr. Robert Mutegi Njue 'ndc' (K) was appointed by the Cabinet Secretary Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works Board as the Director General KMA on 15th October, 2020 *vide* Gazette Notice No. 8477.



**Mrs. Jane Florence
Otieno**
*Corporation Secretary and Head
of Legal Services*

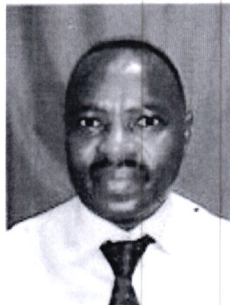
Mrs. J. F. Otieno holds an MBA from Strathmore University, LLB, UoN and Post Graduate Diploma from the Kenya School of Law.

Mrs. J. F. Otieno joined the Authority on the 10th January 2017 as the Corporation Secretary and Head of Legal Services. She has previously worked in the same capacity in various organizations for over 29 years. She held other international positions as Vice-Chair– Legal Affairs – Telematics Co-operative Universal Postal Union.

Mrs. Otieno is a member of WOMESA, the Federation of Women Lawyers of Kenya, Law Society of Kenya, Institute of Certified Public Secretaries, Notary Public and Commissioner for Oaths.

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3. MANAGEMENT TEAM



**Mr. Robert Mutegi Njue HSC
'ndc' (K)**
Director General

Responsible for setting and executing the overall business strategy for Kenya Maritime Authority (KMA) and translating Board and Shareholder mandates to the business and representing Management in the board. The position ensures that the Authority meets its strategic objectives to achieve its overall goals.



Capt. Jeremiah Ojowi
Director, Maritime Safety

Responsible for overseeing and implementing Port State Control, Flag State. Implementation duties, pollution prevention and control, search and rescue, receiver of wrecks, casualty investigation and development of ship Construction standards and ensuring compliance.



Mr. John Omingo
Head of Commercial Shipping

Responsible for coordinating, regulating and overseeing the orderly development and optimal provision of commercial maritime services in the country. Responsible for liaising with maritime organization/institutions on commercial matters of national, regional and international and conduct public awareness campaigns on the carriage of goods by sea. Ensuring the regulation of commercial maritime services in the country.

**Kenya Maritime Authority
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3. MANAGEMENT TEAM (Continued)



**Mrs. Jane Florence
Otieno**
Corporation Secretary and
Head of Legal Services

Giving legal advice to the Board and the Authority, legal compliance, corporate governance, making administrative arrangements for the board, preparation of board papers, minute taking and custody of Board minutes.



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4. CHAIRPERSON'S STATEMENT

I am pleased to present to you the annual financial report for the year 2020/2021, prepared pursuant to the Public Finance Management Act, 2012 and the Kenya Maritime Authority Act, 2006 and in line with international standards. The report reflects the Authority's performance, during the stipulated period and is in line with the functions and objectives as stipulated in the Kenya Maritime Authority Act, 2006 and the Strategic plan 2018-2023.

At Kenya Maritime Authority we are committed to be a leading maritime administration, transforming Kenya into a globally competitive nation in line with our Corporate Strategic Plan, and Kenya's Vision 2030.

As a Maritime Administration, we ensure compliance to not only our national legislations, but also international instruments as ratified/ acceded to from time to time by the Government of Kenya upon promulgation or tacit acceptance from the International Maritime Organization.

The Authority is empowered by law to regulate, coordinate and oversee matters pertaining the maritime industry. This entails implementation of the enumerated functions including advising the government on pertinent maritime international laws for purposes of adoption, ratification and domestication. There is need to ensure Kenya maintains a high standard in matters pertaining the legal framework and ensures that the industry is competitive and the marine environment protected and preserved. Our Mission to ensure sustainable, safe, secure, clean and efficient water transport for the benefit of all our stakeholders is achieved through frequent engagement with our stakeholders at all levels.

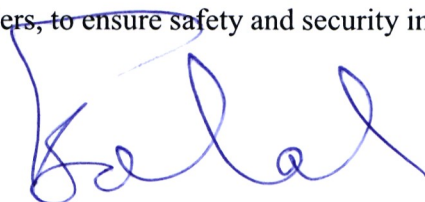
KMA in the financial year 2020/2021 accomplished major milestones in line with its mandate under the Merchant Shipping Act. Below are some of the milestones:

1. Progressed in the construction of the KMA headquarters;
2. Safety of Life at Sea by Inspection of vessels in the littoral and inland waters to ensure safety of life at sea and adherence to international standards and obligations;
3. Marine Search and Rescue activities. Conducted safety enforcement and enhancement campaigns both in coastal and inland water to raise awareness on safety and security by enforcing the provisions of the Merchant Shipping Act to increase compliance levels;
4. Oversight of Seafarers Training. Training and issuance of coxswain certificates to build capacity in the sector;
5. Prevention of Ship Source Marine Pollution. Drafted relevant regulation to ensure clean marine environment.
6. International Ship and Port Facilities. Inspect all Port facility to ensure they comply with Merchant shipping Maritime Security regulations 2015
7. IMO Member State Audit Scheme. Regulation developed as per Corrective action plan.
8. Sustained its role in transport service efficiency monitoring and evaluation as the Secretariat to the Mombasa Port and Northern Corridor Community Charter

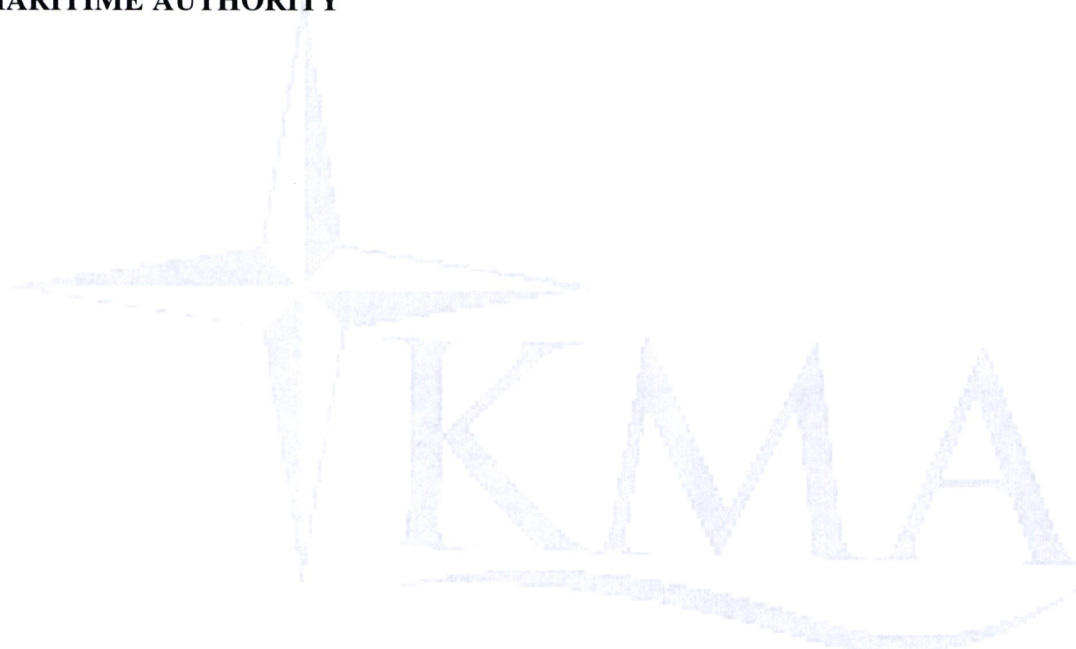
4. CHAIRPERSON'S STATEMENT (Continued)

9. In a bid to domesticate International Conventions that Kenya is a party to, several Regulations have been drafted;

Going forward, we are working to further strengthen our capabilities by enhancing our surveillance in the waters, to ensure safety and security in the waters, in collaboration with other government agencies.



**CHAIRMAN
BOARD OF DIRECTORS
KENYA MARITIME AUTHORITY**



5. REPORT OF THE DIRECTOR GENERAL

Introduction

The Kenya Maritime Authority Annual Report and Financial Statements for 2020/2021 financial year has been prepared pursuant to the Public Finance Management Act and in line with International Public Sector Accounting Standards.

As the regulator of the country's maritime affairs, the Authority is committed to leading the transformation of Kenya into a globally competitive nation. The Authority has important role to drive the maritime agenda in line with the "2050 Africa's Integrated Maritime Strategy (2050 AIM Strategy)", the focus of which is on driving an overarching, concerted and coherent plans to enhance maritime viability for a prosperous country and region at large in tandem with the International treaties and conventions that we have acceded to.

Highlighted below are Authority's performance during the stipulated period in line with its functions and objectives under the KMA Act 2006 and as was captured in the Strategic Plan period, 2018/2022.

I. Operational Performance

a) Construction of KMA Headquarters

The Authority is constructing its Headquarters in Mombasa Island in line with KMA act 2006. On completion the premise will strengthen the Authority's physical capacity and enable it to deliver on its mandate. The overall approximate completion as at 30th June 2021 was 95% of the revised agreed period for the construction.

b) Safety of Life at Sea

Under SOLAS, the Authority aims at enhancing safety of life at sea and raising safety compliance levels from operations of small vessels. The Authority conducted enhanced safety compliance campaigns in Kilifi, Homa Bay and Kisumu County and a sensitization of operators on maritime safety, which was part of the recommendations captured of previous ESCC reports in Kwale and Lamu counties.

In the financial year 2020/21 the Authority conducted inspection of 439 small vessels. The Authority has continued during the period continued to improve compliance and have issued Local Safety Certificate and License to duly inspected vessels.

During the period and pursuant to the IMO Ship crew change protocol, the Authority facilitated crew change for a total of 729 crew at the Port of Mombasa.

5. REPORT OF THE DIRECTOR GENERAL (Continued)

c) Maritime Search and Rescue

- i. LRIT information on the IMO GISIS Module, pertaining to Kenya's National Points of Contact was successfully updated on 19th April, 2021. This review in the LRIT Data Distribution Plan (DDP), enabled password change and access to the system, which now makes it possible for the Authority to productively interact with the system for both Coastal and Flag State obligations.
- ii. Following conclusion of 2021 audit of Kenya LRIT National Data Centre (NDC), the final Audit Report, signed off by the LRIT Coordinator was officially been submitted on 30th April, 2021.
- iii. Developed database for organised groups for search and rescue along the coastal areas in conjunction with the Beach Management units (BMUs)
- iv. Trained search and rescue responders in coastal and inland waters
- v. Conducted Safety and security awareness campaigns in the coastal and inland waters

d) Oversight on Seafarer's Training

In order to ensure supply of properly qualified and certificated Kenyan Seafarers to the local and global maritime industry, in the FY 2020/2021 the Authority supported the training and certification of seafarers.

During the period the Authority,

- i. Held virtual meeting with all approved Maritime Education and Training institutions in preparation for the independent evaluation of Kenya in line with the requirements of International Convention on Standards of Training, Certification and Watch keeping 1978 as amended (STCW 78)
- ii. The Authority conducted a Capacity building exercise for coxswains at Lamu 10th -28th May 2021. The exercise was targeting persons possessing the coxswain certificate of competency issued by the Kenya Ports Authority under the Harbors Regulations 1970.
- iii. Audited two Maritime Education and training institutions for compliance with the approval requirements in accordance with Merchant shipping (Training and certification) regs 2016
- iv. Operationalised Helb fund to support training of seafarers
- v. Audited three recruitment and placement agencies for compliance with Merchant shipping (Maritime labour) regulations
- vi. Support of seafarers training through Youth fund
- vii. Organised COVID 19 vaccination for Kenyan seafarers

5. REPORT OF THE DIRECTOR GENERAL (Continued)

e) Prevention of Ship-source Marine Pollution

During the FY 2020/21, the Authority conducted the following activities aimed at protecting the marine environment;

- i. The Authority drafted Seven (7) regulations under the International Convention for the Prevention of Pollution from ship (MARPOL), 73/78 that Kenya has ratified with the aim of domesticating the convention and developing a Kenyan law to govern ship source pollution. The regulations were presented to KMA Board for adoption.
- ii. The Authority organized and conducted oil spill training and table top exercise on 25th to 28th June, 2021 held at Pwani University in Kilifi County. A total of 30 participants were trained in oil spill response and were awarded with certificates after completion. The objective of the training was to build capacity in oil spill response in Kilifi County with overall goal to improve the country's capacity to effectively prepare and respond to the oil spill incidents.
- iii. The Authority finalized the National Marine and Navigable waters response plans, oiled wildlife oil spill response contingency plan, Shoreline Clean up technique and Kenya Regional oil spill response capacity development plan. The documents were presented to the Board for adoption.
- iv. The Authority participated in the capacity building workshop for the development of framework for onshore and offshore hydrocarbon escape prevention, preparedness and response capacity held in Naivasha on 19th to 21st May, 2021. The objective of the workshop was to build capacity among key sector stakeholders on operationalization and implementation of developed oil spill response plans.
- v. The Authority reviewed six environmental impact assessment reports on proposed Liquefied Petroleum Gas and proposed floating restaurants and submitted comments to NEMA to be considered when issuing an Environmental Impact Assessment.
- vi. The Authority organized and conducted mangrove tree planting activity held on 5th June, 2021 to mark World Environment Day celebrations. The theme for this year's world environment day was on Ecosystem restoration. A total of 40,000 mangrove seedlings were planted during the event.

5. REPORT OF THE DIRECTOR GENERAL (Continued)

- vii. The Authority was part of the preparation committee for the World Oceans Day preparation. The Authority also participated in the beach clean event held at Mombasa Beach on 8th June, 2021 to mark the World Oceans Day. The theme for this year was Ocean: Life and Livelihoods.
- viii. The Authority continued to offer technical support to the activities conducted by MTCC Africa during the period.
- ix. The Authority organized and conducted workshops on sensitization and partnership on marine plastic litter management. A total of 50 stakeholders from Government and private sector were sensitized on challenges of marine litter and the urgent need to take action to reverse the current trends.

f) International Ship and Port Facility Security Audits

During the FY 2020/21, the following were undertaken by the Authority;

1. Approved SECO's Port Facility Security Plan (PFSP) on 20th April 2021 according to requirements of the Merchant shipping Maritime Security regulations 2015. A Port facility security audit of SECO was conducted on 29th June 2021.
2. Issued statement of compliance (SoC) for Lamu port Berth 1 on 26th April after initial security audit was done on 18th and 19th March 2021. The port facility was subsequently registered on the IMO GISIS web platform.
3. Participated in the survey of jetties and landing sites along the coast as part of a multiagency team from the Kilindini Border Management Committee led by the Kenya Coastguard Service from 17th-21st May 2021.
4. Conducted a visit to the Liwatoni floating bridge on 21st April 2021 to assess security concerns raised by Base Titanium Limited as a result of the bridge's operations.

h. IMO Member State Audit Scheme (IMSAS)

The Corrective Action Plan (CAP) was developed and agreed upon between the International Maritime Organization and Kenya in June, 2019. Below is update on the progress made in implementation of the CAP for Kenya during the financial year 2020/21.

5. REPORT OF THE DIRECTOR GENERAL (Continued)

- Seven regulations were drafted covering MARPOL Annex I-VI and the Waste Reception Facilities. The draft regulations were presented to the Board of Directors during the Special Board meeting held on 8th to 10th June, 2021. During the Special Board meeting, the National framework for implementation of the MARPOL regulations was presented. In addition, the Authority also received response from the IMO confirming technical assistance for MARPOL Annex I – VI vide their letter dated 18th May, 2021.
- Ports State Control regulations were revised and presented during the Special Board meeting held between 8th and 10th June, 2021 and a training programme for PSCOs has been developed (Surveyor training programme).

II. Financial Performance

In the year under review the Authority collected a total of Kshs 1.7 Billion in terms of revenue as compared to Kshs. 1.6 Billion from the previous year which translates to 6% improvement. Operation Surplus grew from Kshs. 767 Million to Kshs. 912 Million from the previous year representing a 19% growth.

Robert Mutegi Njue'ndc' (K)


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DIRECTOR GENERAL

**Kenya Maritime Authority
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6. REVIEW OF KENYA MARITIME AUTHORITY PERFORMANCE FOR FY2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kenya Maritime Authority has 6 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2021/2022. These strategic pillars are as follows:

Pillar 1: Maritime Education and Training

Pillar 2: Seafarers' welfare

Pillar 3: Maritime Safety and Security

Pillar 4: Marine Environment

Pillar 5: Maritime Trade Facilitation and Development

Pillar 6: KMA Institutional Governance

Kenya Maritime Authority develops its annual work plans based on the above 6 pillars. Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2020/2021 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Maritime Education and Training	Develop Human Resource Capacity	Regulations	Develop regulations on Maritime Labour	Draft Merchant shipping(Maritime labour) regulations developed
		Operationalized Fund	Establish youth fund and HELB programme for support of seafarers training.	Youth Fund and HELB programme to support seafarers established and operationalized
Pillar 2: Seafarers' welfare	Enhance employment and improve welfare of Kenyan seafarers	Policy	Develop Seafarer Repatriation Policy	Draft repatriation policy developed. The draft to be reviewed and final policy ready in the 1 st quarter of FY 2021/2022
		Audit reports	Audit recruitment agencies and medical practitioners	Performance audit of six recruitment agencies and seven medical practitioners done to ensure compliance with Maritime labour convention requirements

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**6. REVIEW OF KENYA MARITIME AUTHORITY PERFORMANCE FOR FY2020/2021
(Continued)**

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 3: Maritime Safety and Security	Enhance Safety of small vessels/boats	Inspection reports	Undertake inspection/survey of small vessels.	The authority conducted enhanced safety compliance campaign and enforcement to sensitize and enforce safety measures of small vessels and operators. The authority inspected 439 small vessels during the FY 2020/2021
	Expand Radio communication provided and Search and Rescue infrastructure	Infrastructure	Develop SAR Plan	Draft National SAR plan developed, to be reviewed with relevant stakeholders e.g Kenya Civil Aviation Authority and subject the final draft to public participation, (Stakeholders validation) in the 1 st Quarter of FY 2021/2022
	Comply with Port State Control obligations	Ship inspection reports	Inspect 25% of ships calling at the port of Mombasa	Inspection of Foreign ships calling at the port of Mombasa is done in accordance with the Indian Ocean MOU on port state control with objective to weed out substandard vessels from Kenyan Ports. The authority inspected 70% of the ships calling at the port of Mombasa
	Enhance Flag State Implementation	Recognized Organization (RO) agreements	enter into agreement with new ROs	Two RO agreements signed between KMA-INSB and KMA- Indian Register of Shipping reported to IMO via GISIS platform as part of the requirement
Regulations and procedures			Develop Flag State regulations and procedure in place	The authority's Recognized Organizations Assessment Committee (ROAC) also reviewed applications of two RO (Lloyd's Register and Bureau Veritas) and sent the applications to the SDSM for concurrence. Flag state regulations and procedures developed

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**6. REVIEW OF KENYA MARITIME AUTHORITY PERFORMANCE FOR FY2020/2021
(Continued)**

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 4: Marine Environment	Prevent Ship source Marine Pollution	Updated Plan	Update National Oil Spill Contingency Plan	The national Oil spill contingency plan finalized and in readiness for stakeholder's validation in the 1 st quarter of FY 2021/2022
	Review guidelines, manuals for oil spill prevention	Reviewed guidelines and manuals	Review guidelines, manuals for oil spill prevention	Finalized the review of guidelines and manuals for oil spill prevention, in readiness for stakeholder's validation in the 1 st Quarter of FY 2021/2022
	Enhance Maritime Security	SECO port facility plan	Develop Port Facility Security Plan (PFSP) for SECO port facility	PFSP developed by SECO submitted and approved by the Authority in the 4th quarter of FY 2020/2021
Pillar 5: Maritime Trade Facilitation and Development	Support Blue Economy Initiatives	Maritime Information System	Implement Maritime Data Bank Project	Concept note submitted to line ministry and National Treasury
	Regulate Maritime transport services	Amended KMA Act	Amend KMA Act to include cabotage	Amendments drafted
Pillar 6: KMA Institutional Governance	Strengthen institutional capacity	Reviewed Strategic Plan	Review KMA's Strategic Plan	Review Finalized
		ERP System and web Portals	Acquire web-based ERP and develop business portals	Commenced in May 2020

7. CORPORATE GOVERNANCE STATEMENT

The Authority in the execution of its mandate is guided by the Constitution of Kenya 2010, relevant local legislations, ratified international Conventions, Government Directives and the Mwongozo Code of Governance as read together with the Board Manual and Code of best practices. The Constitution of Kenya (2010) not only enshrines the national principles of governance but also provides criteria for appointments and institutions and procedures which create a way for citizenry to ethical and public good in public service. Chapter 6 of the Constitution provides for leadership and integrity as core principles to govern the conduct of state officers in public service delivery. As part of this commitment, the Board adheres to good corporate governance by embracing the principles of high standards of ethical and moral behaviour, acting in the best interest of the Authority while recognizing that the Authority acts as an exemplary good corporate citizen. The

Role and Function of the Board of Directors

The role and functions of the Board *inter alia* includes, to:

- (i) Set and oversee the overall strategy and approve significant policies of the Authority;
- (ii) Approve the organizational structure;
- (iii) Approve the annual budget of the organization;
- (iv) Monitor the Authority's performance and ensure sustainability;
- (v) Ensure availability of adequate resources for the achievement of the Authorities objectives

The Board also reviews and approves the Authority's strategic and financial plans respectively.

Performance Evaluation and Governance Audit

The Board conducts an annual self – evaluation process to measure its own performance, to ensure that it is constantly adhering to the objectives and mandate of the Authority. The last Board evaluation was last conducted by S.C.A.C on 20th August, 2021. The Director General is an *ex officio* member of the Board and is accountable to the Board for the management of the Authority as prescribed in the Act and more specifically in the Mwongozo Code and the Board manual and code of best practice. The Board monitors the performance of the Authority's senior Management by reviewing the financial performance on a quarterly, half-yearly and annual basis. The Performance contract and the strategic plan are key documents towards fulfilling these principles and are anchored in the Kenya Maritime Authority Act, the Merchant Shipping Act and subsidiary legislation, Treaties and Conventions which Kenya has acceded to, and other applicable legislations in Kenya that the Authority is subservient to.

The Authority commissioned the Kenya School of Law to conduct a Legal and Governance Audit in the year under review; implementation and compliance of which is ongoing.

7. CORPORATE GOVERNANCE STATEMENT (Continued)

Conflict of Interest

The Board is under obligation to act in the best interest of the Authority and uphold the fiduciary responsibilities and duty of care. This obligation involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the Authority over other interests. The Board members are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. The Authority has in place two separate Conflict of Interest Registers- one for the Board and the other for members of staff.

Corruption Prevention

There is a Corruption Prevention Policy in place that reiterates Chapter 6 of the Constitution of Kenya, 2010, the Anti- Corruption and Economic Crimes Act, 2003, Public Officer Act, 2003 and the Leadership and Integrity Act, 2012 with regards to issues of conflict of interest.

Board Structure

The Board presently has a Chairman and six (6) independent Directors appointed in accordance with section 6 (1) (d) of the Kenya Maritime Authority Act and representatives of the Government as per section 6 (1) (b) of the Kenya Maritime Authority Act. The members have diverse qualifications suitable for leading the Authority in the execution of its mandate. Directors' terms of appointment to office are governed by the Kenya Maritime Authority Act, State Corporations Act and Executive order no. 7 as detailed in the *Mwongozo* and the Code of Governance for state Corporations, 2015.

Appointment and Removal of the members of the Board

The Chairman is appointed by the President whereas the members of the Board are appointed by the Cabinet Secretary of the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works Board for a duration of three years, renewable for a further three-year term.

The Kenya Maritime Authority Act provides that Board may vacate office through written resignation to the Cabinet Secretary. There are specified circumstances under which Board may be removed from Office and includes, absence from three consecutive meetings of the Board without permission from the Chairperson, where a member is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors, or where a member is convicted of an offence involving dishonesty or fraud and is convicted of a criminal offence.

Board Induction

All the Board members have undergone the compulsory induction training by the State Corporations Advisory Committee (SCAC). In addition, all Directors are members of the Institute of Directors and have all been trained in Good Corporate Governance.

Board Remuneration

The Directors are remunerated as per prevailing government Circulars and official directives.

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7. CORPORATE GOVERNANCE STATEMENT (Continued)

Board Meetings

The Board discharges its responsibilities through the Technical and Operations Committee, Finance and General Purposes Committee, the Human Resource and Governance Committee and the Audit and Risk Assurance Committee. In the Financial Year 2020/2021 the Board held the following meetings:

a) Full Board Meetings

During the period under review a total of Six (6) meetings were held. The attendance to the meetings from the date of appointment of the members are as summarised below;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Geoffrey Ngombo Mwango	Chairman	6	6	100%
2.	Mrs. Nancy W. Karigithu, CBS		6	4	67%
3.	Ms. Malika Omar	Director	6	6	100%
4.	Adan Harakhe HCS	Alternate Director	6	3	50%
5.	Mr. Daniel Ndolo	Alternate Director	6	4	67%
6.	Mr. Charles Mwanzia Mutinda	Alternate Director	6	4	67%
7.	Eng. Charles Kombe Charo	Director	6	6	100%
8.	Rev. Joseph Kariuki Gatimu	Director	6	6	100%
9.	Mr. John Gerin Msafari	Director	6	6	100%
10.	Mr. Salaah S. Balala	Director	6	6	100%
11.	Ms. Roselyn V. Amadi	Director	6	6	100%

b) Special Board Meetings

A total of nine special board meetings were held during the period under review and the attendance of the members from the date of appointment were as summarised below;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Geoffrey N. Mwango	Chairman	9	9	100%
2.	Ms. Malika A. Omar	Director	9	9	100%
3.	Adan Harakhe HCS	Alternate Director	9	2	22%
4.	Mr. Daniel Ndolo	Alternate Director	9	8	89%
5.	Mr. Charles Mwanzia Mutinda	Alternate Director	9	8	89%
6.	Eng. Charles K. Charo	Director	9	9	100%
7.	Rev. Joseph K. Gatimu	Director	9	7	78%
8.	Mr. John G. Msafari	Director	9	6	67%
9.	Mr. Salaah S. Balala	Director	9	9	86%
10.	Ms. Roselyn V. Amadi	Director	9	9	100%
11.	Mrs. Nancy Karigithu	PS	9	6	67%

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7. CORPORATE GOVERNANCE STATEMENT (Continued)

c) Finance and General Purpose Committee Meetings

During the period under review the FGPC held a total of eight (6) meetings. The attendance to the meetings during the period when members were appointed are as summarised below;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Rev. Joseph Kariuki Gatimu	Chair	6	6	100%
2.	Mrs. Nancy W. Karigithu, CBS	Member	6	5	83%
3.	Ms. Malika Ali Omar	Member	6	5	83%
4.	Mr. Charles Mwanzia Mutinda	Member	6	4	67%
5.	Mr. Daniel Ndolo	Member	6	6	100%
6.	Adan Harakhe HCS	Member	6	2	33%

d) Technical and Operations Committee Meetings

During the period under review the TOC held a total of Four (4) meetings. The attendance to the meetings during the period when members were appointed are as summarised below;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Ms. Roselyn V. Amadi	Chair	4	4	100%
2.	Mrs. Nancy W. Karigithu, CBS	Member	4	3	75%
3.	Eng. Charles Kombo Charo	Member	4	4	100%
4.	Mr. John G. Msafari , FICS, CRG	Member	4	4	100%
5.	Adan Harakhe HCS	Member	4	1	25%
6.	Mr. Daniel Ndolo	Member	4	4	100%

e) Human Resource and Governance Committee Meetings

During the period under review the GIC held a total of five (5) meetings. The attendance to the meetings during the period when members were appointed are as summarised below;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Salaah S. Balala	Chair	5	4	80%
2.	Mrs. Nancy W. Karigithu, CBS	Member	5	4	80%
3.	Ms. Malika Ali Omar	Member	5	5	100%
4.	Adan Harakhe HCS	Member	5	1	20%
5.	Rev. Joseph Gatimu	Member	5	4	80%
6.	Mr. Charles Mwanzia Mutinda	Member	5	3	60%
7.	Mr. Daniel Ndolo	Member	5	4	80%
8.	Eng. Charles Kombo Charo	Member	5	5	100%

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7. CORPORATE GOVERNANCE STATEMENT (Continued)

f) Audit and Risk Assurance Committee Meetings

During the period under review the Audit and Risk Assurance Committee held a total of four (4) meetings. The attendance to the meetings during the period from the time when members were appointed are as summarised below;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. John G. Msafari, FICS, CRG	Chair	4	4	100%
2.	Mrs. Nancy W. Karigithu, CBS	Member	4	2	50%
3.	Ms. Roselyn V. Amadi	Member	4	4	100%
4.	Mr. Salaah S. Balala	Member	4	3	75%
5.	Mr. Daniel Ndolo	Member	4	4	100%
6.	Adan Harakhe HCS	Member	4	1	25%



CS - Mrs. Jane Florence Otieno
CORPORATION SECRETARY
BY ORDER OF THE BOARD.



8. MANAGEMENT DISCUSSION AND ANALYSIS

The Authority Operational and Financial performance

Kenya Maritime Authority (the “Authority”) was established through Legal Notice No.79 of 2004 to regulate, co-ordinate and oversee maritime affairs in Kenya. To strengthen Kenya’s maritime administration, Parliament enacted the Kenya Maritime Authority Act in 2006.

The Authority’s Vision is *“To be a leading maritime authority transforming Kenya into a globally competitive nation”* and its Mission Statement is *“To ensure sustainable safe, secure, clean and efficient water transport for the benefit of stakeholders through effective regulation, coordination and oversight of maritime affairs in Kenya.”*

I. Operation Performance

Legislative drafting

A key function of the Authority is to administer and enforce the provisions of the Merchant Shipping Act, 2009 and any other legislation relation to the Maritime Sector for the time being in force in Kenya. Further, Kenya being a member of the International Maritime Organization is required to comply by the various conventions agreed upon by all member States. The IMO instruments are not self-executing or immediately operative in Kenya although the Constitution of Kenya 2010 provides that any international instrument ratified by Kenya forms part of the laws of Kenya. In view therefore and in accordance with the Treaty making ratification Act no 45 of 2012, the Authority drafted the following legal instruments during the period under review and will be proceeding to roll out stakeholder participation process to validate them as part of the required process before presenting the same before parliament:

1. Merchant Shipping (Recognized Organizations) Regulations, 2021
2. Merchant Shipping (Prevention of pollution by oil from ship) Regulations ,2021
3. Merchant Shipping (Control of pollution by hazardous noxious liquids substances in bulk) Regulations, 2021
4. Merchant Shipping (Load line) Regulations, 2021
5. Merchant Shipping (Port State Control) Regulations, 2021
6. Merchant Shipping (Prevention of pollution by harmful substances carried by sea in packaged form) Regulations, 2021
7. Merchant Shipping (Prevention of pollution by sewage from ships) Regulations, 2021

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8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

8. Merchant Shipping (Prevention of pollution by garbage from ships) Regulations, 2021
9. Maritime laws Amendment Bill 2021
10. Merchant Shipping (Collision prevention & distress signals) Regulations, 2021
11. Merchant Shipping (Prevention of Air pollution from ships) Regulations, 2021
12. Merchant Shipping (Waste reception facilities) Regulations, 2021
13. Merchant Shipping (Tonnage) Regulations ,2021

II. Financial Performance

Introduction

Management presents an analysis of the Authority’s financial performance for the period ended 30 June 2021.

End Year Performance Summary Overview

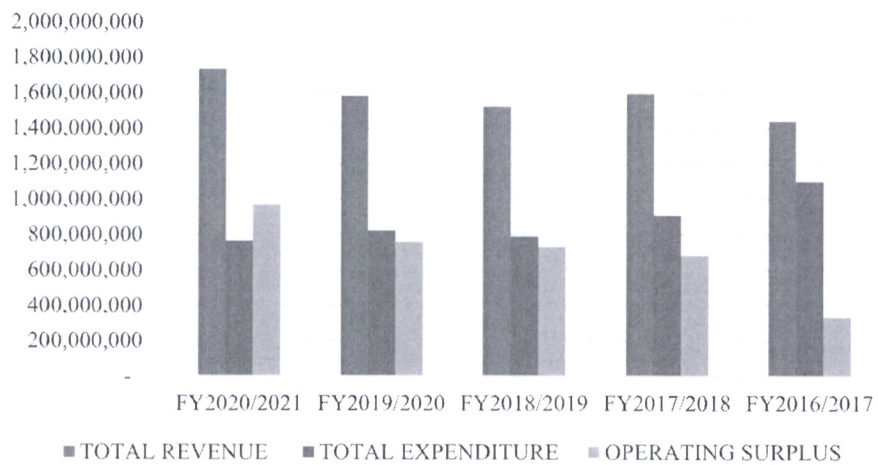
The table below summarizes the Authority’s performance as at 30th June on revenue, expenditure and operating surplus over a 5-year period.

Description	FY2020/2021	FY2019/2020	FY2018/2019	FY2017/2018	FY2016/2017
Total Revenue	1,742,256,439	1,581,450,470	1,521,905,508	1,593,913,132	1,439,990,524
Total Expenditure	831,204,941	816,024,998	788,537,689	908,001,335	1,103,070,771
Operating Surplus	911,568,556	766,781,979	733,367,819	685,911,797	336,919,753

Revenues have been on a general upward trend over the years. There was a 9.8% growth in total revenues on comparison of FY2020/2021 revenues and FY2019/2020 driven majorly improved Merchant Shipping fees collection. On the other hand, recurrent expenditure increased by 1.9% majorly due to transfer made to MLVMCT project during the financial year. Operating surplus has been increasing over the 5-year period. The profit recorded was higher than last financial year’s profit of Kshs 767million by Kshs 145million representing a 18.9% increase. The positive performance is attributed to increase in revenues.

8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

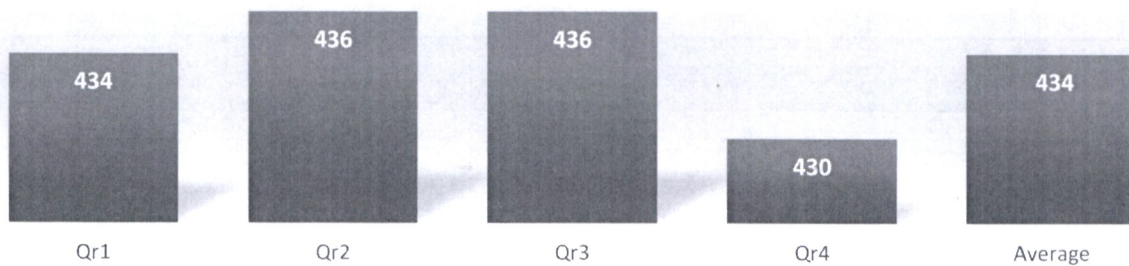
Five Year Operating Surplus



Revenue Collection Monthly Performance

Revenue collection was fairly consistent throughout the year with the average collection per quarter of Kshs 434 Million. The best performing quarters were the second and third quarters. Ms Fees collection in these quarters were boosted by high level of medical related products imports during the period.

Revenue Collection



Investment

The result realized in Q1 and Q2 arose from the Management investment of Kshs 600 Million surplus funds in the month of August 2020. There was no investment in Q3 due to uncertainty in the cash requirement projection for both Phase 1 and Phase II of the KMA HQs hence Management deemed it prudent to hold the available cash in the Authority's current account in anticipation that it may be required any time. In the Q4 management invested Kshs 1,030 Million T-Bill hence leading to better performance.

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8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

5 Year Review of Statement of Financial Performance

Revenues from Non-exchange transactions increased by Kshs 151,284,590 being increased Ms Fees collection attributed to increased imports over the period. There was a decrease of Kshs 350,195 from rendering of service and an increase of Kshs 1,260,378 and Kshs 8,611,196 from other income and finance income respectively which led to revenue from exchange transactions to increase by Kshs 9,521,379 on comparison of FY2020/2021 and FY2019/2020 collections. Therefore, Total revenue increased by Kshs 160,805,969 over the two financial years. Expenses increased by Kshs 15,179,943 on comparison of FY2020/2021 to FY2019/2020 recurrent expenditures. Over the period employee costs increased by Kshs 19,564,830 while the Use of goods and services expenditure reduced by Kshs 7,030,895 which is composed of increase in Repair and maintenance Kshs 15,164,251, decrease in Water & Electricity Kshs 421,339, decrease in General office expenses Kshs 28,200,952, decrease in Grants & Subsidies Kshs 50,000,000 and increased MLVMCT project expenses Kshs 70,488,935. Board of Directors expenses reduced by Kshs 5,379,439 to match the limit set on board expenses. Depreciation decreased by Kshs 6,036,342 due to increase in number of fully depreciated assets.

	FY2020/2021	FY2019/2020	FY2018/2019	FY2017/2018	FY2016/2017
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenues					
Revenue from non-exchange transactions	1,686,396,774	1,535,112,184	1,456,310,728	1,511,762,442	1,327,603,245
Revenue from exchange transactions	55,859,665	46,338,286	65,594,780	82,150,690	112,387,279
Total Revenue	1,742,256,439	1,581,450,470	1,521,905,508	1,593,913,132	1,439,990,524
Expenses					
Employee costs	403,929,064	384,364,234	414,957,795	439,764,305	454,758,034
Board of Directors Cost	31,863,186	37,242,625	35,048,326	39,592,348	57,389,175
Use of Goods and Services	374,802,537	367,771,642	298,751,893	387,854,819	550,706,028
Depreciation	20,610,155	26,646,497	39,779,675	40,789,863	40,217,534
Total Expenses	831,204,942	816,024,998	788,537,689	908,001,335	1,103,070,771
Surplus from Operating Activities	911,051,498	765,425,472	733,367,819	685,911,797	336,919,753
Other Gains					
Gain on sale of assets	-	-	1,050,000	-	98,460
Gain on foreign exchange transactions	517,058	1,356,507	57,251	(2,264,668)	343,121
Surplus for the Period	911,568,556	766,781,979	733,425,070	683,647,129	337,262,874

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8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

5 Year Review of Statement of Financial Position

Total assets grew from Kshs 3Billion in FY2019/2020 to Kshs 4.02Billion in FY2020/2021 translating to 34% increase occasioned by addition of new assets. The Kshs 1,020,127,276 increase is attributed to Kshs 612,971,367 increase in current assets and Kshs 407,155,909 increase in non-current assets. The positive change in current assets emanated from investment in 91day Treasury bills while the increment in non-current assets is attributed to additions in regards to the construction of the headquarters.

The increase in current liabilities from Kshs 228,534,303 in FY2019/2020 to Kshs 779,517,421 in FY2020/2021 was attributed to increase of Trade Payables by Kshs 230,649,106, a reduction of Gratuity payable by Kshs 2,287,027 and Kshs 322,621,039 increase in Surplus Remission Payable hence the change of Kshs 550,983,118. Non-Current liabilities decreased by Kshs 5,101,821 from Kshs 15,305,463 to Kshs 10,203,642 due to the transfer of deferred income to revenue.

	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
	Kshs	Kshs	Kshs	Kshs	Kshs
Assets					
Total Current Assets	1,720,946,629	1,107,975,262	1,125,257,235	1,711,154,859	1,512,971,588
Total Non-Current Assets	2,299,581,796	1,892,425,887	1,791,989,700	1,287,664,624	567,687,273
Total Assets	4,020,528,425	3,000,401,149	2,917,246,935	2,998,819,483	2,080,658,861
Liabilities					
Total Current Liability	779,517,421	228,534,303	347,676,355	986,040,778	741,881,915
Total Non-Current Liability	10,203,642	15,305,463	20,407,284	25,509,105	30,610,926
Total Liabilities	789,721,063	243,839,766	368,083,639	1,011,549,883	772,492,841
Net Assets					
Total Net Assets	3,230,807,362	2,756,561,383	2,549,163,296	1,987,028,166	1,988,398,166
Total Net Assets & Liabilities	4,020,528,425	3,000,401,149	2,917,246,935	2,998,578,049	2,760,891,007

Key Projects

During the financial year the Authority was implementing two major projects. The KMA HQ and Multinational Lake Victoria Maritime Communication and Transport project which are at 95% and 3% completion as at the close of the year. HQ project could not be completed due to challenges in procuring specialized contractors while Multinational Lake Victoria face design related technicalities. Specialized contractors have since been procured and design challenge being addressed through mid-term review.

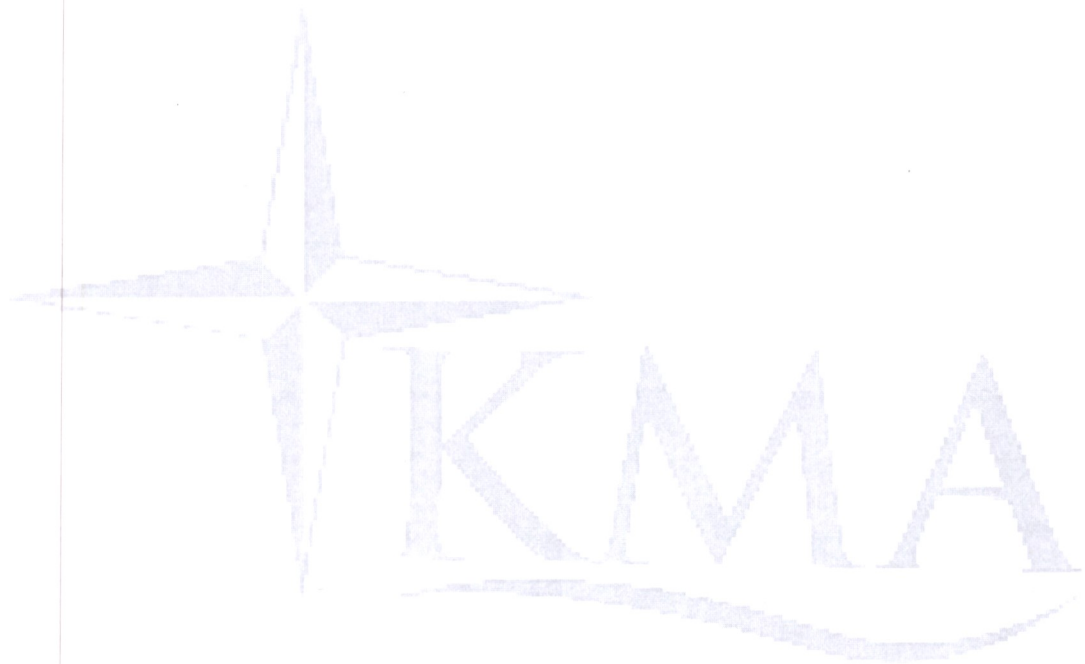
8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

Major risks facing the Authority.

The Authority has no major risk facing it.

Material arrears in statutory /financial obligation

The only arrears that the Authority is due to clear is the 90% surplus of approximately Kshs 486 Million. This will be cleared in the second quarter of FY2021/2022 after submitting financial report to the OAG in line with the PFM regulation requirements.



9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Authority has been at the for front in ensuring that the Maritime Industry is vibrant and contributes to the National GDP by capacity building of our Seafarers through training to meet the international standards, improvement of Port efficiency through Port Charter where all the key parties make commitment. In addition, the Authority has ensured that the Kenya rectify all the key International conventions to attract international player to do business with us and remain competitive globally.

ii) Environmental performance

In the Environment Policy, 2011, the Authority commits to protecting the marine and inland waters environment by incorporating the best practices in all its functions and work environment. The management and the staff of KMA acknowledge that the protection of the environment in general and the aquatic environment in particular is of paramount importance to the wellbeing of the planet and the people of mother earth.

In effort to achieve environmental sustainability, Authority has adopted Electronic Document Management System (EDMS) to manage document electronically and reduce paper waste. The Authority has installed two rainwater harvest tanks for water supply to reduce stress on municipal water supply. Recently, the Authority phased out purchase of plastic glasses for staff and replaced these with metallic cans for staff. The Authority has a fully pledged asset and Disposal Committee which handles disposal of obsolete and damaged assets including e-waste. The Authority normally conducts regular service and maintenance of its vehicles and generator to increase on efficiency and reduce on fuel consumption. The Authority also regularly maintains its computers, air conditioners and phones to increase their life span and thereby reducing the amount of e-waste generated.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING(continued)

Sound proof installations have been put all around KMA building to limit noise from outside. The Authority has contracted a cleaning Company which ensures cleanliness and hygiene is well maintained. The Authority practises green purchasing when purchasing its products to ensure longevity, reusability and recyclability when buying office equipment such as printers, scanners and photocopiers.

As part the Corporate Social responsibility, the Authority has organized and supported mangrove tree planting initiatives which contribute to climate change mitigation. The Authority also participates in beach clean activities organized by different stakeholders from time to time.

iii) Employee welfare

The Authority HR manual guided by PSC manual guideline and circulars form basis of ensuring that there is gender balance in all the recruitment done. The internal policies are updated regularly to conform to the emerging issues arising from the Kenya and International laws.

Annual training plan is developed based on the Training Need Assessment to ensure that all staff get value out of the training they attend.

We also strive to comply with Occupational Safety and Health Act of 2007, (OSHA).

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

iv) Market place practices-

The Authority has made the following initiatives:

a) Responsible competition practice.

In overseeing the maritime education and training in the country and to ensure responsible competition practices in the sector, the Authority undertakes initial and annual audits to ensure the training institution maintain continued compliance with the applicable training requirements set out in the Merchant Shipping (Training and Certification) Regulations 2016. This ensures a level playing field by ensuring all institutions offers the training at the most favourable terms and maintain the required International standards for training and certification.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING(continued)

The Authority further holds regular forums for all Maritime Education and training institutions aimed at addressing the maritime education and training sector challenges and

to encourage collaborative framework to promote utilization of training resources and facilities.

b) Responsible Supply chain and supplier relations

Maintains business practices by use of the standard tender documents issued by the procurement oversight body which promotes fairness, equity, transparency, accountability and cost effectiveness. In addition, the Authority complies to section 150(1) of the PPADR, 2020 which states that “*subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty days from the date of receipt of the invoice*”. To ensure efficient payment to our suppliers, all payments are done online through e-banking platform.

c) Responsible marketing and advertisement

The Authority is committed to best market place and business practice by:

- i. Ensuring that clear information is availed to all suppliers for fair competition in procurements
- ii. Giving of equal opportunities to all Authority suppliers
- iii. Ensuring that issues are settled between parties within a reasonable time in case of any misunderstanding
- iv. Ensuring that both parties understands clearly their contractual obligations
- v. Ensuring the suppliers are paid on time for the goods/services/works rendered to the Authority.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING(continued)

d) Product stewardship

To offer maritime education and training meeting the international standards, the Authority in collaboration with the Kenya Institute and Curriculum developed curriculum incorporating the national and international requirements. The Authority monitors the implementation of the curriculum by maritime education and training institution. After every 5 years cycle the curriculum is reviewed to incorporate the feedback received from the sector, technological requirements and any amendments adopted by the international community.

v) Corporate Social Responsibility / Community Engagements

The Kenya Maritime Authority (KMA) is committed to carrying out its affairs in a socially responsible, sustainable and meaningful way while creating shared value in a way that benefits the society by addressing its needs and challenges.

The Authority therefore regards CSR as a strategic means to:

- i. create shared value and make a positive contribution to the society;
- ii. build trust and confidence in the organization;
- iii. foster teamwork among employees and commitment to the Authority;
- iv. enhance responsibility for the environment, and society.

During the financial year 2020/2021 the Authority's expenditure towards its CSR activities countrywide amounted to Kshs. 1,500,000. Priority was given to activities pertaining to the KMA mandate, education, health, community involvement and environmental protection in line with the Authority's CSR policy. These are outlined here below:

1. Health, Community involvement & Charitable projects

The Authority supported health initiatives in order to improve health standards of the beneficiaries in the country. This was in line with the Sustainable Development Goals (SDG) '3' on ensuring healthy lives and promoting well-being for all ages as well as the vision 2030 under the social pillar. Notably, KMA also supported the community's response efforts towards the COVID-19 pandemic during the aforementioned year under review. This year's Health, Community involvement and Charitable initiatives:

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING(continued)

i. Malindi Medical Camp partnership with Insurance Regulatory Authority (IRA) & Kenya Institute for the Blind (KIB)

The Authority supported this initiative by donating 1000 bottles of water worth Ksh. 100,000 for use by attendees seeking free medical services at the Malindi Medical Camp and having some of its employees participate and volunteer during the exercise. In addition, the Authority's staff also sensitized the public and answered queries on the Authority's activities during the medical camp. The collective medical camp offered free medical treatment and services that encompassed free cancer screening, eye screening, dental care, nutrition, general illness and laboratory services for the residents in Malindi situated in Kilifi County.



Kenya Maritime Authority employees participate in the Malindi Medical Camp together with the staff from the Insurance Regulatory Authority (IRA) & Kenya Institute for the Blind (KIB)

ii. Mombasa County Emergency Household Relief and Nutrition Support Project

During the COVID-19 pandemic, the Kenya Maritime Authority (KMA) donated assorted foodstuffs (rice, maize flour, sugar, green grams, beans, cooking oil, salt) and sanitary items worth Kshs. 500,000 to the Mombasa County Emergency Relief and Nutrition Support Program to support the people of Mombasa through the period of COVID-19 pandemic and economic slowdown. In this regard, the Authority's donations will assist needy members of the surrounding community who have been impacted heavily by the COVID- 19 pandemic.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (continued)



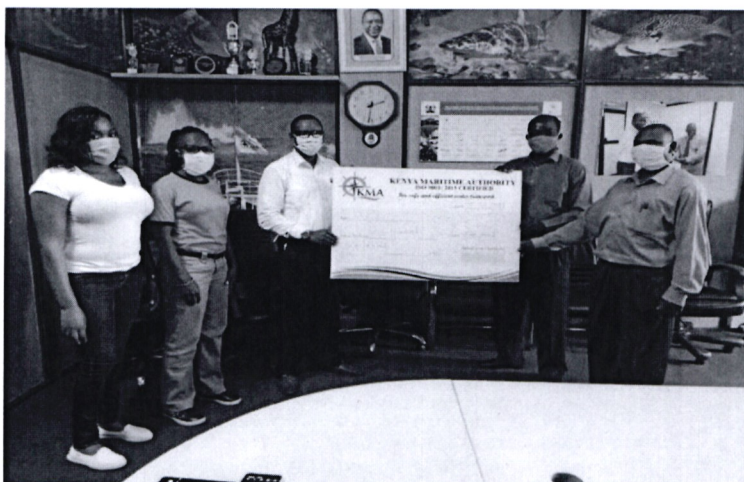
KMA's Chairman Geoffrey Ng'ombo Mwangi and KMA's Ag. Director General, Mr. John Omingo presenting the Authority's donations to the Mombasa County Government Secretary

2. Education

The KMA is keen on supporting educational initiatives particularly those that promote Maritime Education and Training (MET). During the financial year under review, the Authority supported the Institute of Chartered Shipbrokers (ICS) students' examination preps at a cost of Kshs. 500,000, in line with its mandate and Strategic Plan objectives of promoting (MET) and in accordance with the KMA CSR policy. KMA is committed to promote professionalism within the shipping industry considering that it is expected to enhance the sector's contribution to the Blue Economy, Big Four Agenda and national economy as envisaged in Kenya's Vision 2030. Prior to examinations, the ICS students are taken through preparatory sessions by various facilitators, so that they are adequately exposed in preparation for the annual international

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING(continued)

shipping examinations. The Preps are undertaken four (4) weeks prior to the onset of ICS examinations.



KMA staff presenting a dummy cheque worth Ksh. 500,000 to ICS officials

3. Marine Environment Protection

The Authority is committed to minimizing harmful impacts on the marine environment. In this regard, the Authority supports marine environmental conservation initiatives aimed at safeguarding the marine environment. KMA thus engaged in partnerships with environmental agencies to promote marine environmental protection and preservation within communities.

KMA continued to partner with the Watamu Marine Association (WMA)- Eco World to complete the marine environment partnership program which began in the Financial year 2018/2019 at a cost of Kshs. 810,000 towards beach clean-up and marine waste management support as well as conducting marine environment education and marine waste management and recycling sensitizations for the Watamu area public secondary schools. The beneficiaries of the KMA- WMA school sensitization program were Canon Mweri, Kakuyuni Boys, Ngala Memorial Girls, Gede and Mida Secondary Schools. During the Financial Year under review, the program was concluded.

In partnership with the WMA and the Kenya Wildlife Society (KWS), KMA accomplished the following: i) Supported 24 beach clean ups in the Watamu Marine Park and Reserve areas: Marine Park North Section 1, Marine Park North Section 2, Marine Park Central, Marine Park

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (continued)

South Section 1, Marine Park South Section 2, Marine Reserve- Blue Lagoon, Marine Reserve- Watamu village and Marine Reserve- Darakasi. This resulted in the collection of 9515kgs of marine litter constituting of plastics, flip flops, glass bottles, beverage cans and metal containers thereby

contributing to the protection of marine life, beaches and marine ecosystems through the reduction of pollution threats caused by plastics and marine litter which impact negatively on the health and biodiversity of the marine protected areas in Watamu, ii) Donated 20 branded waste bins for the Watamu beaches to promote a clean marine environment iii) sensitized pupils of public secondary schools in Watamu on the threats of plastic pollution and marine waste and the benefits of marine waste management and recycling, protection of the marine environment and instilled in them a culture of conserving the marine environment through theoretical and practical art sessions where they used recycled marine waste products to develop works of art and iv) contributed towards the creation of economic and income opportunities by supporting the Blue Team local community waste collection and recycling of marine waste.



KMA supporting the local community's Blue Team in the cleaning of Watamu Beaches to prevent pollution of the marine environment in protected marine areas

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (continued)



A KMA project signage at the Watamu Marine Reserve areas



Students from Gede Secondary School display their art works made from recycled marine waste after a practical session during one of the KMA sponsored marine environment sensitizations

From the foregoing, the main achievements of the Authority’s Marine Environment CSR project in partnership with the Watamu Marine Association were:

- i.Reduction of marine litter and plastic pollution impacting the Marine Protected Area beaches
- ii.Income generation for beach cleaners and plastic recyclers who constituted the local community in Watamu

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (continued)

- iii. Education and sensitization of Secondary School children in the Watamu Community on marine waste management and recycling.
- iv. Tourists and locals joining KMA and WMA and participating in keeping the beaches clean
- v. Creation of a beach waste management

Environmental Performance

Guided by an elaborate Environmental Policy, the Kenya Maritime Authority (KMA) is committed to protecting the marine environment by incorporating best environmental practices in all its functions and work environment. The Authority's Board of Directors, management and staff recognize that the protection of the marine environment and environment in general is of paramount importance to the well-being of the planet and the nation.

1. Commitment to the Protection of the Environment

In its commitment to the protection of the environment, KMA seeks to prevent pollution and degradation of the air, sea and navigable marine and inland waters by:

- i. Establishing an effective environmental protection system which is underpinned by Management commitment and meaningful involvement of staff
- ii. Ensuring that every member of staff and stakeholders are sensitized on the importance of protection of the environment
- iii. Ensuring that all personnel who have a responsibility for the prevention of pollution of the environment have necessary competence
- iv. Collaborating with key institutions such as the National Environment Management Authority (NEMA) to enhancing cross and inter-sectoral linkages
- v. Contributing to the global response to environmental challenges such as climate change and unsustainable use of natural resources in collaboration with stakeholders
- vi. Advising Government on domestication of relevant international and regional environmental policies into the national policy, strategy and action plan
- vii. Ensuring compliance with statutory and strategic plan requirements as well as Vision 2030 obligations

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (continued)

viii. Implementing environmental obligations under part 2 of Chapter Five on Environment and Natural Resources of the Constitution of Kenya 2010

2. Successes in Environmental Performance

Some of the Authority's successes in environmental performance include:

- i. Going paperless through implementation of Electronic Document Management System for communication and storing documents
- ii. Use of Enterprise Resource Planning for client undertaking and storage of files
- iii. Installation of storage tanks for rain water harvesting
- iv. Servicing of air conditioners, generators and vehicles to reduce Greenhouse gas emission
- v. Repair and maintenance of worn out pipes and toilets to avoid leakages
- vi. Sensitization of staff on environmental sustainability for example closing tap after use to ensure economical use of water
- vii. Construction of Windows large enough to allow more light during the day and reduce power consumption
- viii. Purchase of waste collection baskets.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Authority's affairs.

Principal Activities

The principal activity of the Authority is to regulate, co-ordinate and oversee maritime affairs.

Results

The results of the Authority for the year ended June 30, 2021 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page vi to xii in accordance with section 6(1) of the Kenya Maritime Authority Act. During the year no director retired/ resigned and none was appointed.

Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. During the financial year the Authority remitted **Kshs 553,219,027** to The National Treasury being payment of 90% surplus funds for the Financial Year 2019/2020. This financial year **Kshs 437,322,578** is the realized surplus due to the National Treasury that will be transferred in Financial Year 2021/2022.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with article 229 of the Constitution of Kenya and section 35 of the Public Audit Act 2015.

By Order of the Board

Name: Jane F. Otieno
Corporation Secretary

[Signature]
Signature

13/05/2022
Date

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(5) of the Public Finance Management Act, Cap 412C (PFMA) and section 14(3) of the State Corporations Act, Cap 446 (SCA) require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

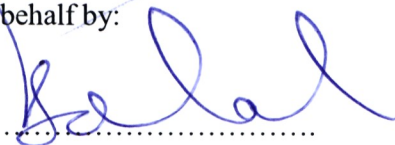
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Public Sector Accounting Standard (IPSAS), and in the manner required by the PFMA and the SCA. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2021, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

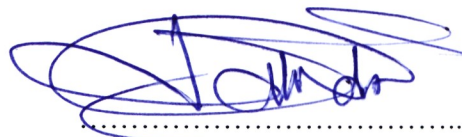
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of financial statements

The Authority's financial statements were approved by the Board on 28/9/2021 and signed on its behalf by:



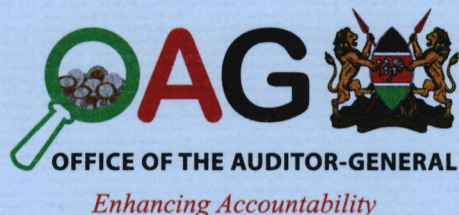
Mr. Geoffrey N. Mwangi
Chairperson of the Board



Mr. Robert Mutegi Njue'ndc'(K)
Director General

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA MARITIME AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

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 Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kenya Maritime Authority as set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Maritime Authority as at 30 June, 2021, 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 Kenya Maritime Authority Act, 2006 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unbalanced Statement of Financial Position

The statement of financial position reflects total assets balance of Kshs.4,020,528,425 and total net assets and liabilities balance of Kshs.4,020,492,625, resulting to an unexplained variance of Kshs.35,800.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

2.0 Unconfirmed Revenue from Non-Exchange Transactions - Levies

The statement of financial performance reflects levies amount of Kshs.1,686,396,774 under revenue from non-exchange transactions. As disclosed in Note 6 to the financial statements, the amount comprises merchant shipping levies of Kshs.1,647,614,116 and collection cost (KRA commission) of Kshs.38,782,658. However, monthly and annual reports on imports, exports and fees collected were not provided for audit, contrary to Appendix B to the Kenya Maritime Authority Act, 2006, which requires Kenya Revenue Authority (KRA) to submit to Kenya Maritime Authority (KMA) monthly and annual reports on imports, exports and fees collected.

Further, the agreement between these two agencies provides that, KRA shall give KMA access to their custom system, limited to viewing and direct download of cargo manifests and declaration data for further statistical analysis and to two (2) designated persons only whose identity shall be disclosed to both KMA and KRA. However, KMA did not have access to KRA custom system, contrary to the agreement.

In addition, despite having fully-fledged Commercial Shipping and Finance Departments, KMA still relied on KRA to compute, collect and remit maritime shipping levies. Further, no documentary evidence in form of reconciliation or computation of the expected and actual collections of maritime shipping levies as per manifests received from KRA was provided for audit verification.

As a result, the accuracy and completeness of the revenue arising from the levies of Kshs.1,686,396,774 could not be confirmed.

3.0 Unsupported Duty Travel Allowances – Domestic and Foreign

The statement of financial performance reflects general office expenditure balance of Kshs.278,740,526 which, as disclosed in Note 15 to the financial statements, includes an amount of Kshs.47,278,831 spent on duty travel allowances - domestic and foreign. However, this latter amount includes Kshs.6,898,235 for which, boarding passes, air and bus tickets and approved annual activity plans were not provided for audit verification.

In the circumstances, the validity and propriety of the duty travel allowances - domestic and foreign of Kshs.6,898,235 could not be confirmed.

4.0 Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.1,493,516,456. However, the bank reconciliation statement as at 30 June, 2021 reflected an amount of Kshs.4,344,000 in respect of a payment in bank statement not yet recorded in the cash book which, as previously reported, dated back to June, 2018. Records maintained by the Authority indicate that the payment was made for legal services without appropriate supporting documents in form of payment voucher, payment authorization, quotations, tender evaluation, award minutes and evidence of services rendered.

In addition, the bank reconciliation statement for the month of June, 2021 reflects an amount of Kshs.2,221,034 described as payments to EFT suppliers in respect of payments in bank statements not yet recorded in cash book. The Management explained that this amount was in respect of double payments to various suppliers. However, details of the suppliers and purpose of the payments were not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,493,516,456 could not be confirmed.

5.0 Long Outstanding Debtors

The statement of financial position reflects trade receivables from exchange transactions balance of Kshs.50,905,926. However, the balance includes an amount of Kshs.6,876,510 which had been outstanding since 1 July, 2015. Although the Authority's Credit Policy requires that any amount outstanding for over 45 days be recommended to an agency to ensure a follow-up and subsequent settlement, the Management did not refer the long outstanding amount to a debt collection agency.

In the circumstances, the validity and recoverability of the long outstanding trade receivables of Kshs.6,876,510 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Maritime Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements

applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total expenditure budget of Kshs.1,299,044,000 and actual total expenditure of Kshs.831,204,941, resulting to a net under-expenditure of Kshs.467,839,059 or 36% of the budget.

The under-expenditure of Kshs.467,839,059 might have impacted negatively on implementation of planned activities and service delivery to the stakeholders.

2.0 Unresolved Prior Year Matters

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Property, Plant and Equipment

The statement of financial position and as disclosed in Note 25 to the financial statements reflects property, plant and equipment balance of Kshs.2,045,654,998. The following unsatisfactory matters were noted:

1.1 Unconfirmed Alteration in the Conditions of Leasehold Land

The balance includes an amount of Kshs.203,097,950 in respect of leasehold land for a plot in Mbaraki, Mombasa. Review of the certificate of lease indicates that the property is held on a ninety-nine (99) years lease from Kenya Railways starting from 1 January, 1971 with an annual rent of Kshs.4,800.

Further, the certificate indicates that the leasehold interest is subject to the agreement and other matters contained in the registered lease. However, among the conditions outlined in the lease is condition 1(g) which requires that the land be used only for the purposes of residence which shall include servant quarters and condition 1(i) which requires that no trade or business of any description should be conducted on the land or buildings.

Audit inspection revealed that the Authority had constructed an office block on the said leasehold land. However, no evidence was provided to show that the Kenya Railways Management had agreed to the alteration of the conditions of the lease quoted above before putting up an office block which may be a source of rental income to the Authority.

In the circumstances, the Authority contravened the conditions of the lease certificate in force.

1.2 Capital Work in Progress - Irregular Variation of Site Instructions to Builder's Works

The balance also includes capital work in progress amount of Kshs.1,764,493,960, being cumulative cost of works on Kenya Maritime Authority Headquarters project being constructed on the plot at Mbaraki, Mombasa. The contract had been awarded at a total cost of Kshs.1,728,176,418 and the works consisted of main building works, electrical, plumbing and drainage, air conditioning and elevator installation works.

A scrutiny of the approved Project Appraisal Report No. 9 revealed introduction of three (3) new project activities under Element No. 7 - Site Instructions to Builders Work of Kshs.5,479,147 that were not factored in the contracted Bill of Quantities. However, documentary evidence of approval of the same by Contract Implementation Team as provided for under Section 151(2)(e) of the Public Procurement and Asset Disposal Act, 2015 was not provided for audit verification.

In the circumstances, value for money of the expenditure of Kshs.1,764,493,960 could not be confirmed.

2.0 Board Members Expenses

2.1 Irregular Payment of Sitting Allowance to Non-Board Members

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects employee costs balance of Kshs.403,929,064 which includes an expenditure on recruitment of Kshs.5,623,711. However, this latter amount includes Kshs.760,000 paid to the parent Ministry's staff, who were not gazetted Board members,

as sitting allowances during a recruitment exercise conducted by the Board Members. This was contrary to the State Corporations Advisory Committee Circular Ref No. OP/SCAC.9/1/5/2(3) on the Implementation of Executive Order No. 7 - Mwongozo - Code of Governance for State Corporations, which requires persons or officers nominated to represent other substantive Members/Directors to only attend Board/Committee meetings after being gazetted by name and issued with appointment letters by the appointing authority.

In the circumstances, Management was in breach of the Mwongonzo - Code of Governance for State Corporations.

2.2 Board of Directors' Costs

The statement of financial performance reflects Board of Directors costs of Kshs.31,863,186 as disclosed in Note 12 to the financial statements. However, the expenditure exceeded the approved expenditure capping of Kshs.30,000,000 by Kshs.1,863,186 in contravention of the Circular No. OP/CAB,9/1A of 11 March, 2020 which provides that Board expenses for a financial year shall be capped at Kshs.30 million or 5% of the operations and maintenance budget of the State Corporation, whichever is less and that any exceeding budgets shall require approval of the Cabinet Secretary for The National Treasury. Further, the approval of the Cabinet Secretary for The National Treasury was not provided for audit review.

In addition, available records indicated that the Board exceeded the approved number of meetings as analyzed below:

Committee	Approved No. of Meetings	Actual No. of Meetings	Excess No. of Meetings
Full Board	6	33	27
Human Resource Committee	6	26	20
Totals	12	59	47

This was contrary to Paragraph A(2) of Circular No. OP/CAB,9/1A of March 11, 2020 which restricts Board meetings to a minimum of four (4) meetings in a financial year, as provided for in Section 8(1)(a) of the State Corporations Act, and a maximum six (6) meetings.

In the circumstances, Management was in breach of the Law.

3.0 General Office Expenditure

The statement of financial performance reflects general office expenditure balance of Kshs.278,740,526. The following unsatisfactory matters were observed:

3.1 Irregular Provision of Airtime

The balance includes communication costs of Kshs.10,631,107 on officers' airtime, which includes Kshs.3,348,000 paid to thirty-three (33) officers in KMA Grades 2,3 and 4 at monthly rates higher than the rates provided in the guidelines given in Circular Ref.

OP/CAB/15 dated 15 March, 2010 on economic utilization and efficient delivery of telephone services in the public service. As a result, the officers were overpaid by Kshs.1,932,000.

In the circumstances, the regularity of the expenditure of Kshs.1,932,000 could not be confirmed.

3.2 Payment for Undelivered Consultancy Service

The balance includes professional and consultancy fees of Kshs.7,793,624. Examination of contract records revealed that the Authority entered into an agreement for consultancy services at a contract price of Kshs.2,505,600 and a contract period of twenty-one (21) days with Kenya School of Government on 10 June, 2021. The special conditions of the contract indicated that the Authority was to pay the consultant 20% of the contract sum at the presentation of the inception report and that the contract was to automatically terminate twenty-one days after the commencement of the service. However, as at the time of audit in the month of January, 2022, the Authority had spent an amount of Kshs.851,600 or 33% of the contract sum but the consultant had not delivered the inception report.

In the circumstances, the propriety of the expenditure of Kshs.851,600 could not be confirmed.

4.0 Opening and Operating Bank Accounts without Approval

The Authority opened and operated four (4) bank accounts at three (3) local banks without evidence of approval from The National Treasury. This was contrary to Section 28(1) of the Public Finance Management Act, 2012 which requires the National Treasury to authorize the opening, operating and closing of bank accounts and sub-accounts for all National Government entities.

In the circumstances, Management 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 overall governance were not effective.

Basis for Conclusion

1. Staff Establishment

The Authority's staff in post stood at one hundred and eleven (111) against an approved establishment of two hundred and forty-two (242), indicating an under-establishment of one hundred and thirty-two (132). The Authority had not filled critical positions to sustain a high performing public service and ensure uninterrupted delivery of services and programmes.

As a result, the Authority may not efficiently and effectively deliver on its mandate.

2. Delayed Transition to the New Organization Structure and Grading

Audit review of staff compliment and personal files revealed that the Authority had not vacated from the old organization structure and grading as required under the Implementation Guidelines included in the Letter Ref. OP/SCAC.1/197/VOL.II dated 8 June, 2020. The Guidelines provided that all staff of the Authority should be vacated from the old structure and be transitioned to the new structure horizontally, as guided in the Grading Structure.

In the circumstances, the Authority may not realize optimal performance from its Human Resource.

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

Responsibilities of Management and Board of Directors

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

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 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 the 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 manner, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 July, 2022

Kenya Maritime Authority
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For the year ended June 30, 2021

13. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
		Kshs	Kshs
	Note		RESTATE
Revenue from non-exchange transactions			
Levies	6	1,686,396,774	1,535,112,184
		<u>1,686,396,774</u>	<u>1,535,112,184</u>
Revenue from exchange transactions			
Rendering service	7	12,864,053	13,214,248
Finance income	8	24,307,388	15,696,192
Other income	9	18,688,224	17,427,846 ^a
		<u>55,859,665</u>	<u>46,338,286</u>
Total Revenue		<u>1,742,256,439</u>	<u>1,581,450,470</u>
Expense			
Employee costs	11	403,929,064	384,364,234
Board of directors cost	12	31,863,186	37,242,625
Water and electricity	13	4,275,687	4,697,026
Repairs and maintenance	14	20,938,619	5,774,368
General office expenditure	15	278,740,526	306,941,478 ^b
Grants and Subsidies	16	-	50,000,000
MLVMCT Project Costs	17	70,847,705	358,770 ^c
Depreciation & Amortization	18	20,610,154	26,646,497
Total Expenses		<u>831,204,941</u>	<u>816,024,998</u>
Surplus from Operating Activities		<u>911,051,498</u>	<u>765,425,472</u>
Other Gains			
Gain on Foreign Exchange Transactions	10	517,058	1,356,507
Surplus for the Period		<u>911,568,556</u>	<u>766,781,979</u>

The notes set out on pages 9 to 45 form an integral part of these Financial Statements.

Note: The accounts marked a, b, c and d were restated as detailed in the respective Notes to the Accounts.

Kenya Maritime Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021

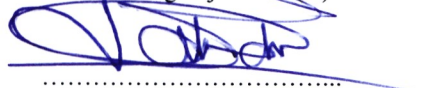
14. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

Assets	Note	2020-2021 Kshs	2019-2020 Kshs
Current Assets			RESTATED
Cash And Cash Equivalents	19	1,493,516,456	885,957,007 ^d
Trade Receivable From Exchange	20	50,905,926	73,987,705
Trade Receivable From Non-Exchange	21	173,030,360	144,081,571
Inventories	22	3,493,887	3,948,979
Total Current Assets		1,720,946,629	1,107,975,262
Non-Current Assets			
Property, Plant & Equipment	25	2,045,654,998	1,670,688,495
Intangible Assets	24	10,889,266	5,811,342
Mortgage Guarantees	23	243,037,532	215,926,050
Total Non-Current Assets		2,299,581,796	1,892,425,887
Total Assets		4,020,528,425	3,000,401,149
Liability			
Current Liability			
Trade And Other Payables From Exchange	26	345,045,711	114,396,605 ^e
Gratuity	27	4,397,330	6,684,357
Surplus Remission Payable	32	430,074,380	107,453,341 ^f
Total Current Liability		779,517,421	228,534,303
Non-Current Liability			
Deferred Government Grant	28	10,203,642	15,305,463
Total Non-Current Liability		10,203,642	15,305,463
Total Liabilities		789,721,063	243,839,766
Net Assets			
Capital Reserve		76,771,434	76,771,434
Revenue Reserve		2,919,662,458	2,445,416,479 ^g
Revaluation Reserve		4,373,470	4,373,470
Specific Reserve		230,000,000	230,000,000
Total Net Assets		3,230,807,362	2,756,561,383
Total Net Assets And Liabilities		4,020,492,625	3,000,401,149

The Financial Statements set out on pages 1 to 45 were signed on behalf of the Board of Directors by:

Director General

Robert Mutegi Njue nde'(K)



Date.....

Finance Manager

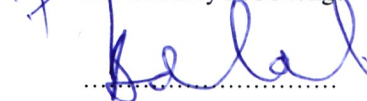
Mr. Edwin Were

ICPAK Member No:8140

Date..... 25/12

Board Chairman

Mr. Geoffrey N. Mwangi



Date.....

Note: The accounts marked d, e, f and g were restated as detailed in the respective Notes to the Accounts.

**Kenya Maritime Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021**

**15. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Capital	Revenue Reserves	Revaluation Reserves	Specific Reserves	Total
		Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30th June 2018		76,771,434	1,674,003,262	6,253,470	230,000,000	1,987,028,166
Surplus for the year		-	721,062,007	-	-	721,062,007
Revaluation Reserve		-	-	-	-	-
Transfer of excess depreciation on revaluation		-	1,880,000	(1,880,000)	-	-
Oil Spill Response Mobilization Fund		-	-	-	-	-
Donated assets		-	-	-	-	-
90% Operating Surplus	32	-	(160,268,183)	-	-	(160,268,183)
Adjustment (Prior Year)		-	-	-	-	-
Balance as at 30th June 2019		76,771,434	2,236,677,086	4,373,470	230,000,000	2,547,821,990
Surplus for the year		-	766,781,979	-	-	766,781,979
Revaluation Reserve		-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-
Oil Spill Response Mobilization Fund		-	-	-	-	-
Donated assets		-	-	-	-	-
90% Operating Surplus	32	-	(558,042,586)	-	-	(558,042,586)
Adjustment (Prior Year)		-	-	-	-	-
Balance as at 30th June 2020		76,771,434	2,445,416,479	4,373,470	230,000,000	2,756,561,383
Surplus for the year		-	911,568,556	-	-	911,568,556
Revaluation Reserve		-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-
Oil Spill Response Mobilization Fund		-	-	-	-	-
Donated assets		-	-	-	-	-
90% Operating Surplus	32	-	(437,322,578)	-	-	(437,322,578)
Adjustment (Prior Year)		-	-	-	-	-
Balance as at 30th June 2021		76,771,434	2,919,662,458	4,373,470	230,000,000	3,230,807,362

Revenue Reserve Restatement

There was a cumulative effect of prior year adjustments to revenue and expenses led to a net decrease of Kshs 693,645 to the retained revenue reserves for the year.

Description	Kshs
Balance as per Audited Accounts	2,446,110,124
90% Surplus Increase	(693,645)
Total	2,445,416,479

Nature and Purpose of Reserves

Revenue Reserves

These are surplus/deficits which the Authority has accumulated over the years.

Revaluation Reserves

The revaluation reserves are created by the revaluation surplus emanating from revaluation of Authority's assets from time to time.

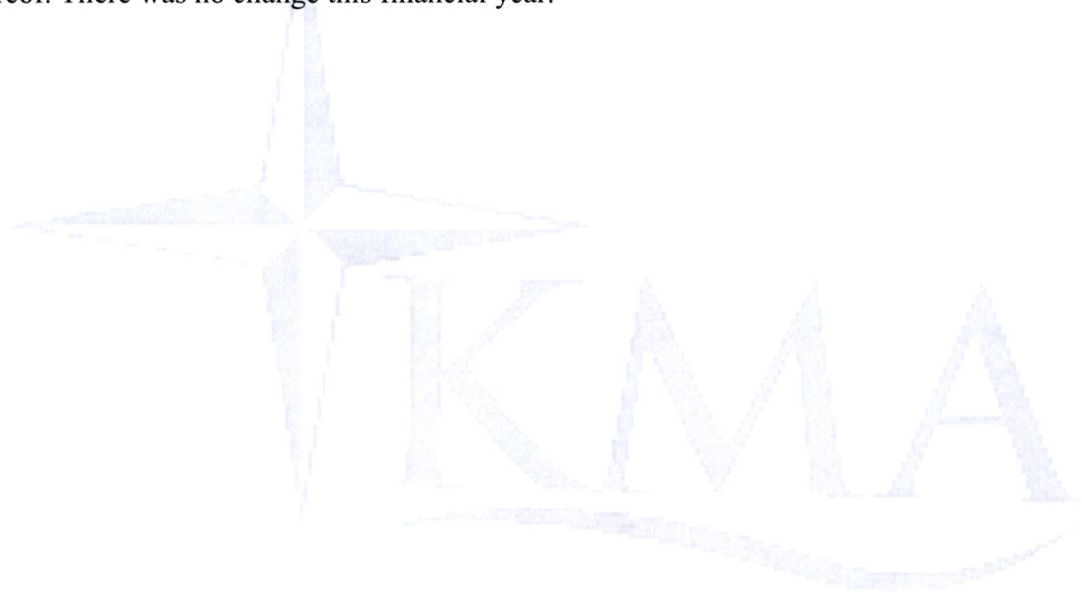
Specific Reserves

i. Oil Spill Mobilization Reserve

This is a reserve set up for mobilizing services providers to conduct a cleanup in case of an oil spill incidence. This would minimize the response time to contain an oil spill and the impact on marine environment thereof. There was no change this financial year.

ii. Search and Rescue Mobilization Reserve

This is a fund set up for mobilizing services providers to conduct a search and/or rescue in case of an accident at sea. This would minimize the response time to save lives and loss of life thereof. There was no change this financial year.



**Kenya Maritime Authority
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**16. STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

		2020-2021	2019-2020
	Note	Kshs	Kshs RESTATED
Cash flow from operating activities			
Operating Surplus		911,568,556	766,781,979
Depreciation	18	20,610,154	26,646,497
Foreign Exchange (Gain) Loss	10	(517,058)	(1,356,507)
Interest Income	8	(24,307,388)	(15,696,192)
		<u>907,354,264</u>	<u>776,375,777</u>
Working Capital changes			
Increase in Trade Receivables	20 & 21	(5,867,010)	(5,872,274)
Decrease in Inventories	22	455,092	903,872
Increase in Trade Payables	26	230,649,107	(50,241,683)
Decrease in Gratuity	27	(2,287,027)	971,850
Decrease in Deferred Income	28	(5,101,821)	(5,101,821)
Net Working Capital changes		<u>217,848,341</u>	<u>(59,340,056)</u>
Net cash generated from operating activities		<u>1,125,202,605</u>	<u>717,035,721</u>
Investing activities			
Purchase of Property, Plant and Equipment	24 & 25	(400,654,581)	(146,734,661)
Decrease in Property, Plant And Equipment	25	-	20,904,148
Investment in Fixed Deposits and Long Term Deposits	23	(27,111,482)	(1,252,171)
Interest Income	8	24,307,388	15,696,192
Foreign Exchange Gain /(Loss)	10	517,058	1,356,507
Net Cashflow (used in)/generated in investing activities		<u>(402,941,617)</u>	<u>(110,029,985)</u>
Financing activities			
90% Operating Surplus Remission	32	(114,701,539)	(615,843,048)
Net Cashflow (used in)/generated in Financing activities		<u>(114,701,539)</u>	<u>(615,843,048)</u>
Net Increase / (Decrease) in cash and cash equivalents		<u>607,559,449</u>	<u>(8,837,312)</u>
Cash and Cash Equivalent as at 01 July		885,957,007	908,207,382
Cash and Cash Equivalent as at 30 June	19	<u>1,493,516,456</u>	<u>885,957,007</u>

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2021

Revenue	Original Budget a	Adjustments b	Final Budget c=(a+b)	Actual On Comparable Basis d	Performance Difference e=(c-d)	% Of Utilization f=d/c
MS Levy	1,633,500,000	-	1,633,500,000	1,686,396,774	52,896,774	103.2%
Rendering Service	15,000,000	-	15,000,000	12,864,053	(2,135,947)	85.8%
Finance Income	10,000,000	-	10,000,000	24,307,388	14,307,388	243.1%
Other Income	42,500,000	-	42,500,000	18,688,224	(23,811,776)	44.0%
Total income	1,701,000,000	-	1,701,000,000	1,742,256,439	41,256,439	102.4%
Expense						
Employee Costs	474,751,000	-	474,751,000	403,929,064	70,821,936	85.1%
Board of Directors Cost	49,772,000	-	49,772,000	31,863,186	17,908,814	64.0%
Water and Electricity	30,500,000	-	30,500,000	4,275,687	26,224,313	14.0%
Repairs and Maintenance	35,559,000	-	35,559,000	20,938,619	14,620,381	58.9%
General Office Expenditure	553,918,000	-	553,918,000	278,740,526	275,177,474	50.3%
MLVMCT Project Costs	69,044,000	-	69,044,000	70,847,705	(1,803,705)	102.6%
Depreciation	85,500,000	-	85,500,000	20,610,154	64,889,846	24.1%
Total Expenditure	1,299,044,000	-	1,299,044,000	831,204,941	467,839,059	64.0%
Surplus for the period	401,956,000	-	401,956,000	911,051,498	(509,095,498)	

Reconciliation Statement

Description	Amount Kshs	Amount Kshs
Surplus for the period as per the Statement of Comparison of Budget		911,051,498
Add: Other Gains		
Gain on foreign exchange transactions	517,058	
Total Other Gains		517,058
Surplus for the period as per the Statement of Financial Performance		911,568,556

Kenya Maritime Authority
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For the year ended June 30, 2021

Explanation of differences between Actual and Budgeted amounts (10% over/ under)

1. Rendering Service' negative variance of 14% is attributed to loss of revenue due to inability to conduct vessel inspections in the financial year due to the Covid-19 Pandemic movement restriction.
2. Finance income had a positive variance of 143%, largely attributed to Management's decision to invest substantial amount arising from accumulated surplus and delay in payment to Head Office construction vendor.
3. Other Income had a negative variance of 56%, arising from the non-realization of rental income which was anticipated upon completion of KMA Headquarters and leasing of extra space therein. The completion of the building and handing over was inadvertently delayed by more than 6 months hence rental revenue that was projected to stream in from January 2022 could not be realized.
4. Employee Costs had a positive variance 15% due under-absorption of Staff Training budget as a result of Covid-19 Containment Measures that prohibited movement and gathering to the extent that, in most training institutions, no in-person training programmes were being offered.
5. Board of Directors negative variance of 36% is attributed to the capping circular that came mid-way the financial year limiting to maximum of Kshs. 30M. By the time the circular was received the planned activity were already on course.
6. Water and Electricity positive variance of 86% is attributed to the delayed shift to the new Headquarters and opening of regional offices in Naivasha and Malindi during the financial year whereby increase in utilities expenses was anticipated.
7. Repairs and Maintenance variance of 41% is due to delay in execution of Lamu office partition due to procurement challenges.
8. General office Expenditure has a cumulative variance of 50% mainly due to inability to implement planned activities due to restrictions brought about by Covid-19 Pandemic.
9. Depreciation negative variance of 76% was brought about by delay in implementation of the ERP project and planned acquisitions of depreciable assets.

Kenya Maritime Authority
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (Continued)

Explanation of Changes between Original and Final Budget

Revenue	Original budget	Adjustments	Final budget	Reason for adjustment
	2020-2021	2020-2021	2020-2021	
Revenue	Original budget	Adjustments	Final budget	
MS Levy	1,633,500,000	-	1,633,500,000	There was no change since projection was realistic
Rendering Service	15,000,000	-	15,000,000	There was no change since projection was realistic
Finance Income	10,000,000	-	10,000,000	There was no change since projection was realistic
Other Income	42,500,000	-	42,500,000	There was no change since projection was realistic
Total income	1,701,000,000	-	1,701,000,000	
Expense				
Employee Costs	474,751,000	-	474,751,000	There was no change since projection was realistic
Board of Directors Cost	49,772,000	-	49,772,000	There was no change since projection was realistic
Water and Electricity	30,500,000	-	30,500,000	There was no change since projection was realistic
Repairs and Maintenance	35,559,000	-	35,559,000	There was no change since projection was realistic
General Office Expenditure	553,918,000	-	553,918,000	There was no change since projection was realistic
MLVMCT Project Costs	69,044,000	-	69,044,000	There was no change since projection was realistic
Depreciation	85,500,000	-	85,500,000	There was no change since projection was realistic
Total Expenditure	1,299,044,000	-	1,299,044,000	
Surplus for the period	401,956,000		401,956,000	

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Maritime Authority is established by and derives its authority and accountability from KMA Act. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. Kenya Maritime Authority's principal activity is to regulate, co-ordinate and oversee maritime affairs.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION– IPSAS 1

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 Kenya Maritime Authority 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.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, KMA 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 2021

Standard	Impact
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>The standard has no impact to the Authority.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>The standard has no impact as the Authority made full adoption of IPSAS.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>The standard has no impact to the Authority.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>The standard has no impact as the Authority has already adopted IPSAS.</p>

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 2021.*

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>The standard has no impact to the Authority as yet due to limitation in financial instruments the Authority is allowed to hold.</p>
<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 (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</p> <p>The standard has no impact to the Authority as provision of social benefits isn’t within its mandate.</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 guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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>The standard has no impact to the Authority as yet due to limitation in financial instruments the Authority is allowed to hold.</p>

iii. **Early adoption of standards**

The Authority did not early – adopt any new or amended standards in year 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees/Levy

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

Transfers from the Government

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 Authority and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Inspection fee is recognized only after the vessel is compliant with all the safety requirement and the related cost can reliably be measured. Where the inspection outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the negotiated interest rate. The negotiated interest rate estimated future cash receipts through the expected life of the financial asset to that asset's net applicable taxes (withholding tax). The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on 15th July 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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 are similar therefore no reconciliation statement has been presented.

c) Property, plant and equipment

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

d) 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.

e) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized when incurred and expensed in relevant period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Financial instruments

Financial assets

Initial recognition and measurement

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

Receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

g) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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 Authority.

h) Provisions

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

Where the Authority 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.

Contingent liabilities

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

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Authority has got two reserve in place; Oil spill and mobilization reserves for emergency SAR service. The two reserves are meant to cushion against any emergency that might arise due to oil spill in our Ocean and inland waters. The Authority has policy to gradually build this reserves annually. All held in Kenya Commercial bank savings account.

j) Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. There was no change in any accounting policy during the financial year.

k) Employee benefits

Retirement benefit plans

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

The scheme is being administered by Zamara Fanaka Retirement Fund (formerly Alexander Forbes Retirement Funds - Pension and Sections)

Rate of contribution for the period under audit is;-

- Self-10% of basic pay
- Employer 20% of basic pay

Gratuity

The Authority provides gratuity to Employees serving on contract terms at a rate of 31% of their Basic salary. Gratuity is payable at the end of the contract net of applicable taxes. Gratuity are charged against income in the year in which they have been earned with corresponding liability created for the year.

l) Foreign currency transactions

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



m) Related parties

The Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa.

The Authority regarded the Ministry of Transport and Infrastructure and Board of directors as related parties during the year. The following are transaction with related party for the year;

- Board of Directors-Incurred the following cost for the board **Kshs 31,935,986**.

n) 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 amount 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.

o) Comparative figures

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

p) 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, 2021.

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.

Estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Useful lives and residual values

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

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

Fixed Assets are stated at cost or valuation less accumulated depreciation/amortisation.

Depreciation and amortisation is calculated on a straight line method.

The Annual depreciation/amortisation rates are as stated below:-

i.	Motor Vehicles	20%
ii.	Computers and IT Equipment	33.3%
iii.	Furniture & Equipment	12.5%
iv.	Software	33.3%
v.	Boats	12.5%

q) Taxation

Kenya Maritime Authority is a Government Agency fully owned by Ministry of Transport, Infrastructure & Urban Development thus exempt from Income Tax.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Levies

	2020-2021	2019-2020
Description	Kshs.	Kshs.
Merchant shipping levy	1,647,614,116	1,499,594,501
Collection cost (KRA commission)	<u>38,782,658</u>	<u>35,517,683</u>
Total Levies	<u>1,686,396,774</u>	<u>1,535,112,184</u>

The Merchant Shipping levy is a charge on all imported goods destined for the local market (Kenya) and export goods that are sea bound. The levies are collected by Kenya Revenue Authority on behalf of Kenya Maritime Authority through an agency agreement. The fees are based on the Fourth schedule of the Merchant Shipping (Fees) Regulations (2011).

7. Rendering of service

	2020-2021	2019-2020
Description	Kshs.	Kshs.
Boat survey fees	4,718,998	6,790,188
Shipping agents fees	<u>8,145,055</u>	<u>6,424,060</u>
Total Rendering of Service Income	<u>12,864,053</u>	<u>13,214,248</u>

Boat survey fees are charges for inspection of ships and issuance of requisite certificates in accordance to First and Second schedules of the Merchant Shipping (Fees) Regulations (2011).

Shipping agents' fees are the oversight and monitoring fees through issuance of requisite certificates in respect of Cargo consolidators, Shipping agents and Shipping lines in accordance to the Fourth schedule of Merchant Shipping (Fees) Regulations (2011).

8. Finance Income

	2020-2021	2019-2020
Description	Kshs.	Kshs.
Interest from Bank Deposits	2,111,482	1,275,334
Interest from Govt Securities	<u>22,195,906</u>	<u>14,420,858</u>
Total Finance Income	<u>24,307,388</u>	<u>15,696,192</u>

Interest income from deposits are revenue earned on placing surplus funds in fixed deposits with Commercial Banks at competitively sought return rates while interest from Government securities are earned from investing in treasury bills.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Other Income

Description	2020-2021	2019-2020
	Kshs.	Kshs.
		RESTATED
Agency fee	1,388,249	2,768,498
Rental	351,349	899,473
Sale of books	1,135,164	1,270,106
Sale of tender document	(8,133)	-
Deferred Income Recognized	5,101,821	5,101,821
Others	10,719,774	7,387,948
Total Other Income	18,688,224	17,427,846

- a. The Balance for FY2019-2020 has been restated as shown below. The restatement was occasioned by the recognition of decrease in the provision of doubtful debts as income other than as a negative expense as it was captured under General office expenditure.

Description	Kshs
Balance as per Audited Accounts	16,931,118
decrease in provision of doubtful debts	496,728
Balance as per Restated Accounts	17,427,846

Agency fees are revenue earned from acting as a collection agent for the Government of DRC in respect to levy on cargo destined/from the Democratic Republic of Congo (DRC). Rental income is earned from subletting our Head Office space to the Government of DRC's office (OGEFREM). Sale of books are revenue earned from sale of curriculum books. Others include STCW & Medical Certificates fees, Training Fees, Accreditation Fees and Other Miscellaneous Income.

10. Gain on Foreign Exchange Transactions

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Gain on Foreign Exchange Transaction	517,058	1,356,507
	517,058	1,356,507

Foreign currency exchange gain/loss are obtained from exchange differences in revenues received and/or payments made in foreign currencies. The Authority's Merchant Shipping (Fees) Regulations (2011) indicates fees in USD.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Employee Costs

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Basic Salaries	228,986,209	210,853,800
House Allowances	35,550,564	34,875,000
Other Allowances	12,226,729	5,822,361
Leave Allowances	5,131,000	4,535,666
Commuter Allowances	22,145,054	21,744,000
Internship	13,333	135,000
Entertainment	430,000	360,000
Staff Training	21,950,413	52,769,487
Induction and Orientation	1,123,320	-
Pension Expenditure	49,922,154	49,419,437
Gratuity	3,838,312	3,750,690
Recruitment	5,623,711	98,793
Fringe Benefit	16,908,269	-
Personal guide	80,000	-
Total Employee Costs	403,929,064	384,364,234

12. Board of Directors Costs


Description	2020-2021	2019-2020
	Kshs.	Kshs.
Airfare	502,762	6,841,727
Allowance and other expense	30,400,424	29,440,898
Chairman's Honoraria	960,000	960,000
Total Board of Directors Costs	31,863,186	37,242,625

13. Purchase of Water & Electricity

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Water	616,074	716,015
Electricity	3,659,613	3,981,011
Total Purchase of Water and Electricity	4,275,687	4,697,026

14. Repairs and Maintenance

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Motor vehicle	1,512,389	1,287,216
Boats	2,623,096	869,470
Computer	5,500,460	2,988,028
Building	11,302,674	629,654
Total Repairs and Maintenance	20,938,619	5,774,368

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. General Office Expenditure

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Domestic and Overseas Air Travel	11,139,994	16,141,788
Duty Travel Allowances - Domestic and Foreign	47,278,831	47,026,574
Conference and Seminars	26,071,544	16,142,882
Advertising	2,724,477	3,721,532
Publicity & Awareness	28,980,129	51,260,930
Medical and Group Accident Cover	29,480,645	34,477,394
Office Rent	11,696,277	11,978,037
HIV and AIDs related Awareness	1,649,756	801,510
Transport Hire	9,698,995	7,599,643
Fuel Costs	4,374,226	3,255,363
Library Expenses	6,899,761	3,078,901
Club Fees	505,348	34,581
Research and Development	-	175,000
Community Support	3,817,394	1,525,757
Bank Charges & Commissions	39,219,798	35,976,735
Security Services	5,228,288	5,057,869
Audit Fees	2,500,000	2,500,000
Professional & Consultancy Fees	7,793,624	2,160,050
Insurance	5,142,347	5,704,482
Legal Fees	-	677,000
Marine Safety & Env. Protection	1,146,280	265,940
Office Incidentals	2,800,599	2,948,006
Office Carpet and Curtain Cleaning	5,245,189	6,178,632
Entertainment	1,398,825	1,479,585
Printing and Stationery	2,193,763	4,873,327
Other Admin Expense	162,239	21,015,274
Communication Costs	10,631,107	10,405,162
Collaborations & Partnerships	10,961,090	10,479,524
Total General Expenditure	278,740,526	306,941,478

- b. The Balance for FY2019-2020 has been restated as shown below. The restatement was occasioned by the recognition of decrease in the provision of doubtful debts as income other than as a negative expense as it was captured under General office expenditure.

Description	Kshs
Balance as per Audited Accounts	306,444,750
Decrease In Provision Of Doubtful Debts	496,728
Balance as per Restated Accounts	306,941,478

16. Grants and Subsidies

Description	2020-2021	2019-2020
	Kshs.	Kshs.
Maritime Education and Training	-	50,000,000
Total Grants and Subsidies	-	50,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. MLVMCT Project Costs	2020-2021	2019-2020
Description	Kshs.	Kshs. RESTATED
Transfers to the Project	69,000,000	-
Direct Payments of Project Expenses	1,847,705	358,770
Total MLVMCT Project Costs	70,847,705	358,770

- c. The Balance for FY2019-2020 has been restated as shown below. The restatement was occasioned by the derecognition of the project expenses as they were being accounted for separately in the project's Financial Statements.

Description	Kshs
Balance as per Audited Accounts	6,835,374
Derecognition of Project Expenses	(6,835,374)
Payments on behalf of the project	358,770
Balance as per Restated Accounts	358,770

18. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
Description	Kshs.	Kshs.
Property, Plant and Equipment	18,048,488	24,084,830
Intangible Assets	2,561,666	2,561,667
Total Depreciation and amortization	20,610,154	26,646,497

Kenya Maritime Authority
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Cash and Cash Equivalents	2020-2021	2019-2020
Description	Kshs.	Kshs.
Current Account	466,874,411	863,333,625
Treasury Bills < 3 Months	1,014,801,320	-
Others	11,840,725	22,623,382
Total Cash and Cash Equivalents	<u>1,493,516,456</u>	<u>885,957,007</u>

19 (a). Detailed Analysis of the Cash and Cash Equivalents

Financial Institutions	Account Number	2020-2021	2019-2020
a) Current Account	Kshs.	Kshs.	RESTATED
KCB Current Account (Ksh)	1101575093	434,765,658	837,597,248
KCB Current Account (Dollar)	1167698452	22,105,763	15,835,359
KCB Current Account-Kisumu (Ksh)	1111688923	1,309	2,500
KCB Current Account-Lamu (Ksh)	1215829051	50,392	89,568
KCB Current Account-Lodwar (Ksh)	1218308931	4,289	7,484
NBK Current (Dollar)	02003057729100	9,947,000	9,801,466
Sub-Total		<u>466,874,411</u>	<u>863,333,625</u>
b) Treasury Bills < 3 Months			
Central Bank of Kenya		1,014,801,320	-
Sub-Total		<u>1,014,801,320</u>	<u>-</u>
c) Others			
Petty Cash-Mombasa Office		21,940	12,978
Petty Cash-Lamu Office		2,445	-
Petty Cash-Kisumu Office		21,452	20,727
Petty Cash-Turkana Office		3	-
KCB Savings Account		3,393,910	20,003,825
Outstanding Imprest-Staff		8,365,175	2,554,452
Outstanding Imprest-Directors		35,800	31,400
Sub-Total		<u>11,840,725</u>	<u>22,623,382</u>
Grand Total		<u>1,493,516,456</u>	<u>885,957,007</u>

- d. The Balance for FY2019-2020 has been restated as shown below. The restatement was occasioned by the derecognition of the project cashbook balance (KCB Current Account-MLVMCT (Kshs)) as they were being accounted for separately in the project's Financial Statements. A payment of Kshs 4,344,000 which had not been recorded in the cashbook has also been captured as shown below;

Description	Kshs
Balance as per Audited Accounts	897,237,466
Derecognition of Cashbook balance	(6,936,459)
Payment	(4,344,000)
Balance as per Restated Accounts	<u>885,957,007</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Trade Receivable from exchange transaction	2020-2021	2019-2020
Description	Kshs.	Kshs.
Trade	13,344,651	13,713,210
Interest receivable	14,539,337	8,731
Prepayments	25,498,988	30,487,829
Others non trade	3,232,906	40,926,031
Less: Provision for Doubtful debts	(5,709,956)	(11,148,096)
Total Trade Receivable from exchange transactions	50,905,926	73,987,705

Provision for Doubtful debts Movement Schedule	2020-2021	2019-2020
Description	Kshs.	Kshs.
Balance as at 1st July	11,148,096	11,644,824
Increase/(Decrease) recognized in Statement of Financial Performance	(5,438,140)	(496,728)
Balance as at 30 June	5,709,956	11,148,096

21. Receivable from non-exchange transaction	2020-2021	2019-2020
Description	Kshs.	Kshs.
MS Levy fees	135,249,595	134,268,317
Staff Debt	4,536,845	5,352,469
Salary Advance	445,504	665,150
Training Levy	2,733,125	3,620,338
Other	30,065,291	175,297
Total Receivable from non-exchange transaction	173,030,360	144,081,571

22. Inventories	2019-2020	2019-2020
Description	Kshs.	Kshs.
General supplies	3,209,739	3,643,439
Publications & library books	284,148	305,540
Total Inventories	3,493,887	3,948,979

23. Mortgage Guarantees

Description	2020-2021	2019-2020
	Kshs.	Kshs.
House Loan Guarantee	211,121,955	184,991,983
Car Loan Guarantee	31,915,577	30,934,067
Total Mortgage Guarantees	243,037,532	215,926,050

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Mortgage Guarantees Movement Schedule

Description	House Mortgage Kshs	Car Loan Kshs	Total Kshs
Balance as at 1st July 2020	184,991,982	30,934,067	215,926,049
Transfers	25,000,000	-	25,000,000
Interest Earned	1,129,973	981,510	2,111,482
Balance as at 30 June 2021	211,121,955	31,915,577	243,037,532

24. Intangible Assets

	<u>Intangible Assets</u> Kshs	<u>WIP</u> Kshs	<u>Total</u> Kshs
As at 30 June 2020	83,231,758	3,249,676	86,481,434
Additions	-	7,639,590	7,639,590
Transfer	-	-	-
As at 30 June 2021	83,231,758	10,889,266	94,121,024
As at 30 June 2020	80,670,092	-	80,670,092
Charge for the year	2,561,666	-	2,561,666
As at 30 June 2021	83,231,758	-	83,231,758
NBV as at 30 June 2021	-	10,889,266	10,889,266
NBV as at 30 June 2020	2,561,666	3,249,676	5,811,342

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Property, Plant and Equipment

Assets	Leasehold Land	Land & Building	Motor vehicles	Computers & IT Equipment	Furniture & Equipment	Capital in Progress	Total
Cost or Valuation		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2020	203,097,950	39,008,847	64,948,636	72,016,649	180,136,775	1,235,251,501	1,794,460,358
Disposal	-	-	(7,133,168)	-	(27,872,197)	-	(35,005,365)
Additions	-	-	-	1,754,967	1,825,466	139,904,552	143,484,985
Re allocation	-	-	-	-	-	-	-
As at 30 June 2020	203,097,950	39,008,847	57,815,468	73,771,616	154,090,044	1,375,156,053	1,902,939,978
Disposal	-	-	-	-	-	-	-
Additions	-	-	-	2,524,519	1,152,565	389,337,907	393,014,991
Re allocation	-	-	-	-	-	-	-
As at 30 June 2021	203,097,950	39,008,847	57,815,468	76,296,135	155,242,609	1,764,493,960	2,294,397,906
Depreciation and impairment							
As at 1 July 2020	-	-	48,728,445	69,695,254	103,844,171	-	222,267,870
Disposal	-	-	(7,133,168)	-	(6,968,049)	-	(14,101,217)
Charge for the year	-	-	8,563,870	2,570,956	12,950,004	-	24,084,830
Adjustments	-	-	-	-	-	-	-
As at 30 June 2020	-	-	50,159,147	72,266,210	109,826,126	-	232,251,483
Disposal	-	-	-	-	-	-	-
Charge for the year	-	-	5,210,660	1,764,191	11,073,637	-	18,048,488
Adjustments	-	-	-	-	-	-	-
As at 30 June 2021	-	-	55,369,807	74,002,947	120,899,763	-	250,299,971
Net Book values							
As at 30 June 2021	203,097,950	39,008,847	2,445,661	2,265,734	34,342,846	1,764,493,960	2,045,654,998
As at 30 June 2020	203,097,950	39,008,847	7,656,321	1,505,406	44,263,918	1,375,156,053	1,670,688,495

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade and other payables from exchange transaction

Description	2020-2021	2019-2020
	<u>Kshs.</u>	<u>Kshs.</u>
Trade Payables	213,056,009	14,113,468
Audit Fees Payable	6,400,000	3,900,000
Staff payables	12,071	96,275
Statutory	1,088,815	1,068,049
Other payable	124,488,816	95,218,813
Total	<u>345,045,711</u>	<u>114,396,605</u>

e. The Balance for FY2019-2020 has been restated as shown below. The restatement was occasioned by a payment of Kshs 4,344,000 which had not been recorded in the creditors ledger. This has been captured as shown below;

Description	Kshs
Balance as per Audited Accounts	118,740,605
Payment	(4,344,000)
Balance as per Restated Accounts	<u>114,396,605</u>

27. Gratuity

Description	2020-2021	2019-2020
	<u>Kshs.</u>	<u>Kshs.</u>
As at 1 July	6,684,357	5,712,507
Charge for the year	3,838,313	3,750,690
Payment during the year	(6,125,340)	(2,778,840)
As at 30 June	<u>4,397,330</u>	<u>6,684,357</u>

28. Deferred Government Grant

Description	2020-2021	2019-2020
	<u>Kshs.</u>	<u>Kshs.</u>
Deferred Income	15,305,463	20,407,284
Less: Deferred Income Recognized	(5,101,821)	(5,101,821)
Total	<u>10,203,642</u>	<u>15,305,463</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	50,905,926	14,014,770	31,087,157	5,803,999
Receivables From Non Exchange Transactions	173,030,360	173,030,360	-	-
Bank balances	1,493,516,456	1,493,516,456	-	-
Total	1,717,452,742	1,680,561,586	31,087,157	5,803,999
At 30 June 2020				
Receivables from exchange transactions	73,987,705	68,269,018	5,718,687	-
Receivables From Non Exchange Transactions	144,081,571	144,081,571	-	-
Bank balances	885,957,007	885,957,007	-	-
Total	1,104,026,283	1,098,307,596	5,718,687	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. FINANCIAL RISK MANAGEMENT(Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Authority has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	161,393,667	51,662,342	-	213,056,009
Provisions	11,588,710	6,400,000	99,387,221	117,375,931
Deferred Government Grant	-	-	10,203,642	10,203,642
Total	172,982,377	58,062,342	109,590,863	340,635,582
At 30 June 2020				
Trade payables	2,130,724	970,337	11,012,407	14,113,468
Provisions	134,254,828	-	86,408,821	220,663,649
Deferred Government Grant	-	-	15,305,463	15,305,463
Total	136,385,552	970,337	112,726,691	250,082,580

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. FINANCIAL RISK MANAGEMENT(Continued)

The Authority's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Authority's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

FY2021

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2021			
Financial Assets			
Cash	1,461,463,693	32,052,763	1,493,516,456
Debtors	210,774,327	13,161,959	223,936,286
Total Financial Assets	1,672,238,020	45,367,493	1,717,452,742
Liabilities			
Trade and other payables	789,427,725	293,338	789,721,063
Total Financial Liabilities	789,427,725	293,338	789,721,063
Net foreign currency asset/(liability)	882,810,295	45,074,155	927,731,679

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

FY2020

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2021			
Financial Assets			
Cash	860,320,182	25,636,825	885,957,007
Debtors	206,317,275	11,752,001	218,069,276
Total Financial Assets	1,066,637,457	37,388,826	1,104,026,283
Liabilities			
Trade and other payables	243,775,965	63,801	243,839,766
Total Financial Liabilities	243,775,965	63,801	243,839,766
Net foreign currency asset/(liability)	822,861,492	37,325,025	860,186,517

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. FINANCIAL RISK MANAGEMENT(Continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Authority's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2021			
USD	10%	3,738,883	3,738,883
2020			
USD	10%	3,732,503	3,732,503

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 14,935,165 (2020: Kshs 8,859,570). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 74,675,823 (2020 – Kshs 44,297,850).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	4,373,470	4,373,470
Retained earnings	2,919,662,458	2,445,416,479
Capital reserve	76,771,434	76,771,434
Specific reserves	230,000,000	230,000,000
Total funds	3,230,807,362	2,756,561,383
Total borrowings	0	0
Less: cash and bank balances	1,493,516,456	885,957,007
Net debt/(excess cash and cash equivalents)	(1,493,516,456)	(885,957,007)
Gearing	0%	0%

30. Related Party Balances

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the *Authority*, holding 100% of the *Authority's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Authority*, both domestic and external.

Other related parties include:

- i) The Parent Ministry;
- ii) County Governments;
- iii) Other SCs and SAGAs
- iv) Key management;
- v) Board of directors;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. Related Party Balances (Continued)

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Others (Specify) e.g Interest and Bank charges	-	-
Total	-	-
b) Purchases from related parties		
Purchases of electricity from KPLC	3,504,688	3,871,966
Purchase of water from Govt service providers	49,673	-
Rent expenses paid to Govt agencies	-	-
Training and conference fees paid to govt. agencies	17,555,672	8,765,770
Others (specify)	-	-
Total	21,110,033	12,637,736
b) Grants /Transfers from the Government		
Grants from National Govt	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	24,225,577	23,048,559
Compensation to key management	22,043,974	32,226,116
Total	46,269,551	55,274,675

31. Capital Commitments

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised and contracted for	1,728,176,418	1,728,176,418
Total	1,728,176,418	1,728,176,418

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement the Authority remitted Kshs **114,701,539** (FY2020 Kshs **615,843,048**).

The Surplus Remission has been computed as follows:

	FY2020/2021	FY2019/2020
DESCRIPTION	Kshs.	Kshs.
Surplus for the Year	911,568,556	766,781,979
Less: Allowable Deductions by NT		
Purchase of Assets	(400,654,581)	(146,734,661)
Oil Spill & SAR Fund Transfer	-	-
Mortgage & Car Loan Guarantees	(25,000,000)	-
Total Allowable Deductions	(425,654,581)	(146,734,661)
Realized Surplus Funds	485,913,975	620,047,318
90% of Realized Surplus Funds	437,322,578	558,042,586

Surplus Remission Payable

Surplus Remission Payable Description	2020-2021 Kshs.	2019-2020 Kshs. RESTATED
As at 1 July	107,453,341	165,253,803
Realized Surplus Funds	437,322,578	558,042,586
Paid during the year	(114,701,539)	(615,843,048)
As at 30 June	430,074,380	107,453,341

- f. The Balance for FY2019-2020 has been restated as shown below. Adjustments of expenses and revenue led to a decrease of surplus funds payable by Kshs 6,242,814 as;

Description	Kshs
Balance as per Audited Accounts	113,696,155
90% Surplus decrease	(6,242,814)
Total	107,453,341

33. Events After the Reporting Period

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

34. Ultimate and Holding Authority


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

35. Currency


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

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
Basis for Qualified Opinion				
1.1	An amount of Kshs. 4,344,000 dating back to June, 2018 was not recorded in cash book. The payment was to a legal firm but was not supported by a PV, procurement supporting documents, evidence of services rendered and authorization of remittance of the funds to the law firm.	The transaction has been recorded in the Cashbook.	Resolved	
1.2	NBK Current Account (USD) bank reconciliation statement for June, 2020 reflects a bank statement balance of USD 118,692.22. However, certificate of bank confirmation reflects an amount of USD 117,982.86, thus resulting in an unreconciled variance of USD 709.36	The variance of USD 709.36 was due to cheque number 011571 from Rais Shipping which was to mature on 2nd July 2020 (value date). A reconciliation statement was provided on the same.	Resolved	
Lawfulness And Effectiveness In Use Of Public Resources				
1.1.	Kshs. 6,604,812 of Trade Receivables have been outstanding since 2015. Satisfactory explanations why the debts had not been collected and/or referred to an agency	Concerted effort have been put in place to collect these debt through enforcement and awareness campaigns. Most of them have paid while others have	Ongoing	30/6/22

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	for collection was not provided.	also promised to pay. Measures have been put in place to only offer service on prepayment basis. It is uneconomical to use collecting agency due to amount involved.		
1.2.1	Kshs.2,275,749 towards a claim from a supplier for non-performance of contractual obligations supply, review, upgrade, installation and support of the Enterprise Resource Planning (ERP) system and integration with the electronic data management system had not been recovered.	The Authority to institute litigation against the vendor.	Not resolved	30/6/22
1.2.2	Advance payment security towards an advance payment of Kshs. 36,157,869 lapsed on 31/01/2018 and had not been renewed as at 30/06/2020. Management provided a partial advance security of Kshs.11,569,634 with Kshs.24,588,235 or 68% of the advance payment was therefore not secured.	Full security provided	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1.3	The Authority made a provision for doubtful debts amounting to Kshs. 11,148,096 representing 81% of the trade receivables balance of Kshs. 13,713,210. However, there was no evidence of the debt collection strategies implemented by the Authority			
2.1	Particular preliminaries of Kshs. 3,500,000 for ground-breaking ceremony was paid in full plus 15% profit or Kshs. 525,000 without evidence of actual cost incurred.	Amount recovered	Resolved	
2.2	Authority paid rent amounting to Kshs.2,070,000 towards temporary resettlement of Reef Apartment tenants which should have been catered for by the contractor's Insurance cover.	Amount recovered	Resolved	
2.3	For construction of Headquarters, the Authority provided prime costs and provisional sums amounting to Kshs.390,452,000 or 22.6%, contrary to PPOA guidelines that Bills of Quantities of	Matter under investigation	Not resolved	

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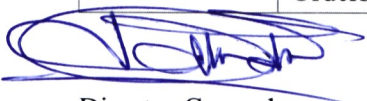
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	specialized works should be included as a section of the main Bill of Quantities to be priced by the main contractor.			
2.4	The lowest evaluated electrical works contractor bidder had quoted Kshs. 115,976,976 which was corrected to Kshs.224,292,876 at evaluation. The Authority disengaged from the subcontract However, the professional advice by the Solicitor-General indicated, the Authority has no contractual relationship with the subcontractor, but the main contractor.	AG provide revised opinion that allowed Authority to engage contractor	Resolved	
3.1	The Authority engaged one (1) employee who was above the mandatory retirement age of sixty (60) years on a three (3) year contract.	Authorization was sought from PSC	Resolved	
3.2	The net pay for three (3) employees was less than a third of their corresponding basic pay contrary to Section 19(3) of the Employment Act, 2007.	The error was rectified and they are all within the 1/3 rule	Resolved	
4.1	Requests for quotations for motor	Investigation of the anomaly ongoing	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	vehicles and boat insurance did not specify the risks to be covered and limits of cover. No technical evaluation of the bids was done. Only two (2) bidders instead of the required minimum of three (3) bidders responded out of the six (6) invited and a list of the insurance providers and details on how the bidders were identified were not provided.			
4.2	Branded promotional were procured through restricted tendering by sending invitations to eight (8) instead of at least ten suppliers from the prequalified list. The tender was not advertised in the Authority's website and method used was not justified as the goods and services procured were readily available and not of a complex nature.	Investigation of the anomaly ongoing	Not Resolved	
5.	An imprest of Kshs.56,000 issued to a former staff of the Authority has been outstanding since 2015	Support provide and surrendered	Resolved	
6.	Car loans were advanced to two (2) employees in excess of the approved Salaries	The Anomaly was rectified	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	and Remuneration Commission limits			
7.	Contrary to service level agreement no interest rate had been set during the previous four (4) years that the car loan guarantee Fund had been in operation (from 27 June, 2015 to September, 2019			
8.	Management committed LPOs for supply of goods and services amounting to Kshs.7,490,377 after 31 May, 2020 contrary to Regulation 51(1) of the Public Finance Management Regulations, 2015	Investigation of the anomaly ongoing	Not Resolved	
9.	Goods and services amounting to Kshs.3,161,941 supplied more than two (2) years ago had not been paid contrary to Section 156(4)(d) of the Public Finance Management Act, 2012 and Authority's terms and condition (5) of Local Purchase Orders.	Amount reconciled and paid	Resolved	



Director General

Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY KENYA MARITIME AUTHORITY

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)
Multinational Lake Victoria Maritime Communication and Transport		AFDB	4years		Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of Funds
1	Construction of KMA Headquarters	2,043M	1,874M	95%	486M	486M	KMA
2	Multinational Lake Victoria Maritime Communication and Transport	860M	30M	3%	79M	15M	AFDB

APPENDIX III: INTER-AUTHORITY TRANSFERS

ENTITY NAME:		KENYA MARITIME AUTHORITY		
Break down of Transfers from the State Department for Shipping and Maritime				
FY 2020/2021				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	-	N/A
		Total	-	
c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A
d. Donor Receipts				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
Kenya Maritime Authority

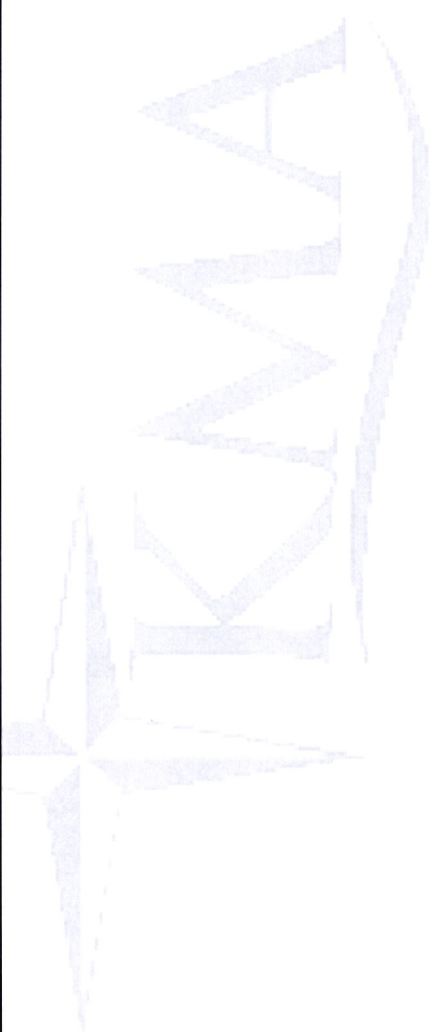
Sign -----

Head of Accounting Unit
Ministry of Transport, Infrastructure, Housing,
Urban Development & Public Works

Sign -----

**Kenya Maritime Authority
Reports and Financial Statements
For the year ended June 30, 2019**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works	-	-	-	-	-	-	-	-
Total			-	-	-	-	-	-



The page contains extremely faint, illegible text that appears to be bleed-through from the reverse side of the paper. The text is scattered across the page and is not readable.