

OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA MARITIME AUTHORITY

FOR THE YEAR
ENDED 30 JUNE 2016

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KENYA MARITIME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

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I. KEY ENTITY 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 seized 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. Its Vision is to be a To be a leading maritime administration transforming Kenya into a globally competitive nation and its 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
-

I. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

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

No.	Designation	Name
1	Ag. Director General	Mr. Cosmas Cherop
2	Head of Maritime Safety	Mr. Wilfred Kagimbi
3	Ag. Corporation Secretary & Head of Legal Services	Ms. Celestine Otunga
4	Head of Commercial Shipping	Mr. John Omingo
5.	Ag Head of Corporate Support Service	Mr. Edwin Were

(e) Fiduciary Oversight Arrangements

(i) Finance and Human Resource committee activities

- 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 policy consistent with the changing needs of KMA.

(ii) Technical and Operations Committee

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

II. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

- i) Setting strategic direction for KMA and monitoring the implementation of the strategic plan;
- j) Raising the standards of corporate governance on behalf of the Board;

Overseeing the development, preparation and implementation of corporate communication policies and recommending management publicity programmes to the Board; and
Providing guidance on Corporate Social Responsibility activities and monitoring their implementation.

(iii) Audit Committee activities

- (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) 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.
- (c) Make recommendations to management for improvements on weaknesses identified in order to strengthen internal controls;
- (d) Review the legal and regulatory matters that may have a material impact on the financial statements, related compliance policies, and reports received from consultants.
- (e) Give guidelines on risk management.

(a) Entity Headquarters

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

(b) Entity Contacts

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

(c) Entity Bankers

- i. Kenya Commercial Bank
Kilindini Branch
P O Box 90300
Mombasa.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Entity Bankers (Continued)

- ii. Kenya Commercial Bank
Kisumu Branch
P. O. Box 4117-40100
Kisumu.
- iii. National Bank of Kenya
P. O. Box 87770-80100,
Mombasa.
- iv. Equity Bank
Moi Avenue Branch
P. O. Box 84618-80100
Mombasa.





(d) Independent Auditors

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



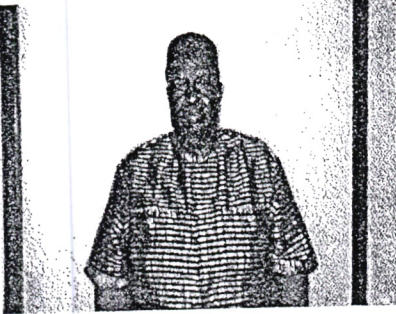

(e) Principal Legal Adviser

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




II. THE BOARD OF DIRECTORS

	NAME AND QUALIFICATION	DATE OF BIRTH AND EXPERIENCE
1	<p>Mr. Mwalimu Digore Kitambi</p>  <p>BSC in Physics & Mathematics</p>	<p>Date of Birth: 20.7.1961 26 years' work experience Appointed on 10th January, 2014 Expires on 9th January, 2017</p>
2	<p>Mr. Cosmas Cherop</p>  <p>Bachelor of Arts, MBA (Finance), CPA (K)</p>	<p>Date of Birth: 1965, 26 years' work experience Appointed by the Board on 22 May, 2015</p>
3	<p>Ms. Agnes Ndwiga</p>  <p>MSC in Development Finance, B.Com.</p>	<p>Date of Birth: 04.9.1962 27 years' work experience Appointed on 5th January, 2016 Expires on 4th January, 2019</p>
4	<p>Ms. Malika Omar</p>  <p>Bachelor of Science in International Business Administration Advanced Diploma in Shipping Diploma in Shipping</p>	<p>Date of Birth: 29.10.1976 Appointed on 2nd October, 2015 Expires on: 1st October, 2018</p>




II. BOARD OF DIRECTORS (Continued)

<p>5</p>	<p>Major General (Rtd) Anthony Rob, EBS</p>  <p>Major General (Rtd) Bachelor of Laws (LLB)</p>	<p>Date of Birth: 25th December, 1954 39 years' work experience Appointed on 17th April, 2015 Expires on 16th April, 2018</p>
<p>6</p>	<p>Prof. Eric Chenje Mwachiro, Ph.D</p>  <p>Ph.D Hydrobiology-Limnology and Fisheries M.Sc. Zoology, MBA , B.Sc Biology</p>	<p>Date of Birth: 19th September 1958 32 years' work experience Appointed on 17th April, 2015 Expires on 16th April, 2018</p>
<p>7</p>	<p>Mr. Ismail Mboya</p>  <p>MSC Degree Maritime Studies (Port Commercial)</p>	<p>Date of Birth: 9th December, 1946 Over 40 years' work experience Appointed on 17th April, 2015 Expires on 16th April, 2018</p>
<p>8</p>	<p>Prof. Githu Muigai (Hon. Attorney-General)</p>  <p>Doctor of Laws</p>	<p>Date of Birth: 31st January 1960 28 Years of Experience</p>




II. BOARD OF DIRECTORS (Continued)

<p>9</p>	<p>Ms. Roselyn Amadi (Alt. Director To The Hon. Ag)</p>  <p>Bachelors of Laws (Hons)</p>	<p>Date of Birth: 17.10.1955 38 Years of experience Appointed 11/1/2007 Expired 16/10/2015 (retired)</p>
<p>10</p>	<p>Ms. Geraldine M. Maingi (Alt. Director To The PS, MoT&I)</p>  <p>B.A (Hons) Public Admin & MSC Maritime Admin.</p>	<p>Date of Birth: 21.09.1959 27 years' of experience Appointed 10/2/2009 Expired 4/4/2016 (retired)</p>
<p>11.</p>	<p>Ms. Celestine Otunga (Alt. Director To The Hon. Ag)</p>  <p>Bachelor of Law (Hons) MBA, MSC Procurement</p>	<p>Date of Birth: 19.11.1960 27 year experience Appointed 17/10/2015 Expired 11/7/2016 (retired)</p>

II. BOARD OF DIRECTORS (Continued)

<p>12</p>	<p>Mr. John K. Njera (Alt. Director To The PS, National Treasury)</p>  <p>Masters in Computer Science, Masters of Art in Economics(ongoing)</p>	<p>Date of Birth:2nd January 1969 21 years' of experience Appointed 7/3/2011 Expired 13/10/2015 (retired)</p>
<p>13</p>	<p>Mr. Said Gulleid</p>  <p>Certified in Accounting</p>	<p>Date of Birth: 12.7.1973 11 years' of experience Appointed on 11th October, 2012 Expired on 10th October, 2015 (retired)</p>
<p>14</p>	 <p>Mr. Irungu Nyakera, PS, MoT& I - HD State Department of Transport</p>	<p>Date of Birth:13th May 1982 8 Years of experience</p>

III. MANAGEMENT TEAM

1. Mr. Cosmas Cherop – AG Director General	RESPONSIBILITY
 <p>Bachelor of Arts, MBA (Finance), CPA (K)</p>	<p>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.</p>
<p>2. Mr. Wilfred Kagimbi – Head of Maritime Safety</p>  <p>Master of Science Maritime Safety Admin, Bachelor of Marine Engineering</p>	<p>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.</p>
<p>3. Mr. John Omingo – Head of Commercial Shipping</p>  <p>Bachelor of Ed (SC), MSC (Shipping Admin.) Post Graduate Diploma in Transport Management</p>	<p>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.</p>

III. MANAGEMENT TEAM (Continued)

4. Ms. Celestine Otunga – Ag. Corporation
Secretary & Head of Legal Services



Bachelor of Laws (Hons),
MBA, MSC Procurement

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.

IV. CHAIRMAN'S STATEMENT

Kenya Maritime Authority (KMA) came into being through Legal Notice Number 79 of 2004 dated 21st June 2004. The first Board of Directors was appointed in January 2005 and inaugurated by the Minister on 24th March 2005.

Activities of the Board and the Authority are funded by grants from the Exchequer, proceeds from Merchant Shipping (MS) Levy and other miscellaneous incomes.

The accounts for 2015/2016 show a surplus of Kshs315, 228,170. The Authority is in the process of constructing KMA headquarters in the next financial year.

The Authority signed a contract with the Kenya Institute of Curriculum Development for the review of teachers' guides, trainees manuals and publication of the revised diploma in marine engineering, diploma in nautical science, craft in marine engineering, craft in nautical science, and artisan syllabi. The authority is also looking to having a state of the art modern office block and we are delighted that made immense strides this year as we contracted the services of Lins Consult to provide us with design and supervision of development of our Headquarters in Mombasa.

In the year under review the Authority is also delighted to report that in conjunction with the World Bank, we were able to procure three search and rescue boats for Kisumu, Lamu and Mombasa that were successfully launched in the respective towns. This was a great achievement as the same will go along with our efforts of ensuring safety in our waters and also enable us to respond promptly to any water incident both in our inland and territorial waters.

I wish to take this opportunity to extend my gratitude and that of the Board of directors to the Government, the Ministry of Transport, Infrastructure, Housing & Urban Development, staff of Kenya Maritime Authority and all our esteemed customers/stakeholders for the great support extended to us over the current period under review. We wish to assure all of you that together we shall make KMA a leading maritime administration that will in turn transform Kenya into a globally competitive nation.

MR. MWALEMU DIGORE KITAMBI
CHAIRMAN

V. REPORT OF THE DIRECTOR GENERAL

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.”*

The Authority has four departments namely; Corporation Secretariat & Legal Services, Maritime Safety, Corporate Support Services, and Commercial Shipping, each of which is under the leadership of a Head of Department and the Directorate. The Directorate directs the Authority’s entire operations and is headed by the Director-General who is also the Chief Executive Officer of the Authority.

The Maritime Safety and Commercial Shipping divisions are the core divisions of the Authority and are charged with the responsibility to regulate maritime logistics services and shipping by undertake port state and flag state inspections of ships respectively. The Corporation Secretary and Legal Services provide legal and policy guidance and advice to the core divisions and the Corporate Support Services Division provides corporate support services to the Authority. The Corporate Support Services Division facilitates the other departments in the delivery of their responsibilities and performance of their duties by providing finance and administrative support.

The four branches in Kisumu, Lamu Island, Lodwar and Baringo are now operational. The County offices will also serve as Search and Rescue Coordination sub-centres to help in coordination of search and rescue operations for any maritime and inland waters casualties and focal points for information sharing on issues relating to water transport.

During the 2015-2016 financial year, the Authority organized the following events which were aimed at sensitizing the public on the mandate of the Authority-

V. REPORT OF THE DIRECTOR GENERAL (Continued)

- i. World Maritime Day to remember the Seafarer and their contribution to the Maritime industry.
- ii. Participated in Regional Agricultural Society of Kenya Trade Fairs which were held in Kisumu, Nakuru, Nairobi and Mombasa;
- iii. Sponsored STCW Mandatory training for Seafarers' in Mombasa County.
- iv. Support World Ocean Day in maintaining clean environment.
- v. Participation in KECOSO to interact and share with other agencies under the Ministry of Transport and Infrastructure.

The Authority continues to enhance human resource capacity building through continuous training of marine engineers, nautical surveyors, ship inspectors, and maritime logistics experts. The Authority also continues to enhance capacity building in the maritime sector by enhancing capacity for local institutions of higher learning to offer marine engineering and nautical science courses through the development of curricula and accreditation of qualifying training institutions to offer maritime training in Kenya. This has not been without challenges, the primary challenge being the lack of facilities for trainees to undertake seaboard training, a core pre-requisite for one to obtain a certificate of competency and thus qualify to work as a seafarer or ship surveyor.

The Authority shall always strive to live to its motto; "For safe and efficient water transport" to not only uphold but also improve on the standards attained in the year ended 30th June 2016.

I wish to thank the Board of Directors for timely approval of budgets, development proposals, and policies presented to them. I also wish to thank all of KMA Staff members for working diligently and tirelessly for the good performance to be achieved.

Finally, I wish to express my gratitude to our stakeholders and the general public for keeping us focused on the delivery of our mandate by requesting and when need be, demanding for our services and whose cooperation made the maritime industry achieve great strides in the year 2015/16. To you all we say "We are because you are".


Cosmas Cherop (Mr.)
AG, DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

The Board of the Authority is responsible and accountable to the Government of Kenya through the Ministry of Transport and Infrastructure, in ensuring that the Authority complies with law and the highest standards of corporate governance.

During the 2015/2016 financial year, there were ten (10) or less members of the Board all of whom, save for the Chief Executive Officer, were non - Executive. The members possessed a wide range of skills and competencies, including legal, finance, banking, insurance, education, economics, procurement and management.

During the period under review, the Board and its committees met 30 times.

The principal responsibility of the Board is to establish the long term goals of the Authority and to ensure that effective plans are developed and implemented. The members of the Board exercise their best judgment to act in what they reasonably believe to be in the best interests of the Authority and its stakeholders. In discharging that obligation, Members rely on the honesty and integrity of the Authority's management, senior staff and its external advisors and auditors.

The main responsibilities entail:

- Reviewing the Authority's values, vision and mission and developing and adopting appropriate policy and strategy;
- Putting in place management structures (organization, systems and people) to achieve those objectives;
- Setting targets and monitoring performance;
- Guiding the implementation of strategic decisions and actions and advising management as appropriate;
- The review and adoption of annual budgets for the financial performance of the Authority and monitoring the Authority's performance and results;
- Management of risk, overseeing the implementation of adequate control systems and relevant compliance with the law, governance, accounting and auditing standards;
- Ensuring the preparation of annual financial statements and reports, communication, and disclosure of information to stakeholders; and

VI. CORPORATE GOVERNANCE STATEMENT (continued)

- Delegating authority to the head of the institution, as Chief Executive, for the corporate, financial and personnel management of the institution; and to establish and keep under regular review the policies, procedures and limits within which such management functions shall be undertaken by and under the authority of the head of the institution.

Principles and guidelines governing the Board

The Board embraces the following corporate governance guidelines and principles in execution of its mandate: (i) the combined code of corporate governance principles adopted from other jurisdictions as contained in the Authority's Board Manual and Code of Best Practice; (ii) the code of conduct and ethics for Board members, and (iii) the Public Officer & Ethics Act of 2003, that applies to public officers. The Authority's Directors are required to make a disclosure of any transaction which would constitute a conflict of interest and to abstain from voting when such matters are being considered.

The Authority's Directors exercise independent judgment and professional competencies for effective governance of the Authority as set out in the Board Manual. The manual clearly spells out important governance arrangements covering: (i) appointment of Directors; (ii) shareholder rights

(iii) respective roles and functions of the Board, the Chairman, the Director General and the Corporation Secretary; (iv) conduct of Board meetings; (v) Directors' induction and training; (vi) Directors' duties and liabilities; (vii) stakeholder communication; among others. Each Committee has specific terms of reference under which they operate.

The Board operates under rules that govern the conduct of individual Directors spelt out in Directors' Code of Conduct and Ethics to enable them operate effectively and in the best interests of the Authority. The Code of Conduct requires Directors to: act honestly and in good faith; exercise duty with care and diligence; avoid and disclose conflict of interest; maintain confidentiality of information about the Authority; show commitment to and attend to the Authority's business; and respect fellow Directors and staff. During the financial year, the Board of Directors approved an amended Code of Conduct and Ethics for the staff which is being implemented.

VI. CORPORATE GOVERNANCE STATEMENT (continued)

The Board provides leadership, enterprise, integrity and good judgment in directing the Authority and acts in the best interest of the business for continued viability and sustainability. The Board is vested with powers and authority by the Kenya Maritime Authority.

Risk Management and internal controls

The Board continued to monitor the operational and financial risk aspects of the Authority's activities through the Audit Committee. The Committee and Board took into account the advice of external and internal auditors and recommendations from other technical advisors, in considering appropriate actions relevant to any operational and financial risk that the Authority may face. In addition, the Board approved various internal control procedures and continues to investigate ways of further enhancing existing risk management strategies and procedures.

Supply of information

Directors had full access to management and to the advice and services of the Authority Secretary. They were constantly updated on the activities of the Authority and were provided with all the information needed to carry out their duties and responsibilities fully and effectively. In addition, directors were entitled where necessary, to seek independent professional advice concerning the affairs of the Authority.

Compliance with the law

The Board as a collective entity and the individual directors are satisfied that the Authority has to the best of their knowledge complied with all applicable laws. To the knowledge of the Board, no director or employee acted or committed any offence or indulged in any unethical behaviour in the conduct of the lawfully authorized business of the Authority.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Authority is committed to carrying out its business and affairs in a socially responsible, sustainable and meaningful way, taking into account ethics, the environment and society at large.

The Authority seeks to make positive contributions to communities through financial support and through staff involvement. During the financial year 2015/2016 year it committed Kshs. 6,924,253 to 25 projects countrywide.

In this year, the Authority was involved in the following CSR activities:

Education

In regard to the Authority's CSR policy, it endeavours to support educational activities, projects, programmes and initiatives aimed at sensitizing and ensuring Kenyans in all counties are sensitized and mentored on available career opportunities in the maritime sector.

The total funding channelled to education was Kshs. 580,000.

Health

The Authority's health initiatives are focused on improving health standards of the beneficiaries in the country. During the year, the Authority provided funding of Kshs. 1,410,000 to health projects.

Community Involvement

The Authority is committed to encouraging its employee's involvement in the community and in community service, supporting projects, activities and events within the community and seeking innovative ways to perform its social responsibilities.

In the year 2015/2016, the Authority funded Empowerment projects for a total of Kshs. 322,800.

Environmental protection

The Authority is committed to its environmental policy and shall support activities geared to prevention of pollution, protection and rehabilitation of the environment including the marine environment.

In this year environmental activities, the Authority funded a project for a total of Kshs 100,000.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT (continued)

Sponsorship of other special Maritime events

The Authority supports other events that may have an impact on the image of the Authority in corporate citizenship and which offer the Authority an opportunity to network with the community, stakeholders as well as to sensitize them on its mandate operations and role in the community. E.g Conferences, peace initiatives, charitable activities, public functions, fundraising events for the needy in community.

In the financial year 2015/2016 the Authority funded projects for a total of Kshs.2, 606,403

Sport promotion

The Authority supports sports events including those in the maritime sector in the bid of nurturing talent among the youth as well as enabling Kenya's sportsmen/ women achieve their goals while marketing the Authority.

In the financial year 2015/2016 the Authority funded, 2 projects for a total of Kshs.1, 221,500

Gender mainstreaming

The Authority is committed to promoting activities geared towards gender equity in various areas, which include career development among vulnerable groups including information on how to access maritime training and education in Kenya. The Authority funded projects for a total of Kshs.683, 550.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Authority's affairs.

Results

The results of the entity for the year ended June 30, 2016 are set out on page 1.

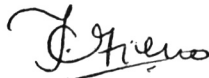
Directors

The members of the Board of Directors who served during the year are shown on page VII to X in accordance with section 6(1) of the Kenya Maritime Authority Act.

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



CORPORATION SECRETARY
MOMBASA

Date: 24/02/2017.....

IX. 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.

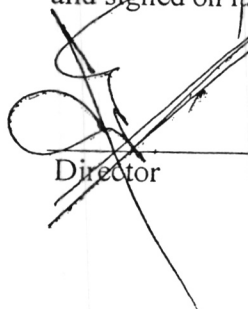
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls-relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the 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, 2016, 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 16TH SEPT 2016 and signed on its behalf by:



Director



Director



Director



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA MARITIME AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Maritime Authority set out on pages 1 to 28, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in accordance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis of Qualified Opinion

1. Trade and Other Payables from Exchange

The statement of financial position as at 30 June 2016 reflects a balance of Kshs.43,431,930 in respect of trade and other payables from exchange which have been arrived at after set-off against various debit balances totalling Kshs.2,497,467. The set-off contravened International Public Sector Accounting Standard No.1 which prohibits netting off debit and credit balances.

Consequently, the accuracy and completeness of trade and other payables from exchange balance of Kshs.43,431,930 as at 30 June 2016 cannot be confirmed.

2. Cash and Cash Equivalents

Note 16 to the financial statements reflects cash and cash equivalents balance of Kshs.1,093,971,702 as at 30 June 2016. Audit examination of the bank reconciliation statements revealed that included in the reconciling items, were stale cheques totalling Kshs.2,480,014.50 outstanding for more than twelve months reversed in the cash book. In addition, receipts in bank amounting to Kshs.238,715.10 were not recorded in the cash book. The management attributed their non-clearance to lack of information on the depositors, and as a result it is not clear how long the transactions shall remain unrecorded.

In the circumstance, the accuracy and completeness of cash and cash equivalents balance of Kshs.1,093,971,702 as at 30 June 2016 could not be confirmed.

3. Board of Directors Cost

Note 11 to the financial statements reflects a balance of Kshs.48,244,651 in respect of Board of Directors costs for the year ended 30 June 2016. Analysis of the expenditure revealed that the Board held thirty (30) sittings during the financial year and as a result meeting costs rose by Kshs.31,230,001, or 184% of the expenditure balance of Kshs.17,014,650 reported in the year 2014/2015. In addition, examination of expenditure records revealed that sitting allowances totaling Kshs.4,400,000 were paid to several Board members but minutes of the meetings were not presented for audit. In addition, available evidence indicated that the meetings related to attendance at Agricultural Society of Kenya shows, KECOSO

games and boat launches in Kisumu and Lamu counties, which are administrative functions for execution by management.

Consequently, the propriety and regularity of Board of Directors costs totaling Kshs.4,400,000 for the year ended 30 June 2016 could not be confirmed.

4. Publicity and Awareness

Included in the general office expenditure balance of Kshs.337,595,541 reported in Note 15 to the financial statement, is publicity and awareness costs balance of Kshs.64,890,008. However, audit verification revealed that the payments were made to various media firms for print, out-door and television advertisements contrary to Circular Ref. MIC/G/2/4 dated 03 March 2016 by the Ministry of Information, Communication & Technology which required all government entities to place their advertisements through the Government Advertising Agency. In addition, there was no documentary evidence showing that the media firms were identified and selected in accordance with the requirements of the Public Procurement and Asset Disposal Act, 2015.

The Authority breached government regulations on placement of medical advertisements and as a result, the propriety and regularity of publicity and awareness expenditure balance of Kshs.64,890,008 for the year ended 30 June 2016 cannot be ascertained.

5. Duty Travel Allowances

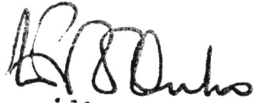
Included in the general expenditure balance of Kshs.337,595,541 reported under Note 15 to the financial statements are duty travel allowance payments totalling Kshs.66,195,601 paid in the year under review. Expenditure under the account increased by Kshs.34,374,540 or 108% of the balance of Kshs.31,821,061 reported in the previous (2014/2015) financial year. In addition, records presented for audit revealed that during the year under review, foreign travel allowances totalling to Kshs.13,454,426.40 were paid to various staff without evidence of travel authority from the Permanent Secretary of the parent Ministry. This was contrary to the Revised Code of Regulations, 2006 and Circular OP/CAB.9/9 by the Head of Public Service which require officers travelling abroad to seek clearance from Permanent Secretary of the Parent Ministry.

In the circumstance, the propriety of duty travel allowance expenditure totalling to Kshs.13,454,426.40 for the year ended 30 June 2016 cannot be ascertained.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kenya Maritime Authority as at 30 June 2016 and of its

financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya Maritime Authority Act, 2006.



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

Nairobi

19 April 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

		2016	2015
		Kshs	Kshs
Revenue from non-exchange transactions	Note		Restated
Levies	3	934,437,805	819,685,113
Government grants	4	50,776,000	78,732,000
		<u>985,213,805</u>	<u>898,417,113</u>
Revenue from exchange transactions			
Rendering service	5	12,147,722	14,862,776
Finance income	6	103,284,573	72,289,988
Other income	7	5,302,706	9,633,861
		<u>120,735,001</u>	<u>96,786,625</u>
Total Revenue		<u>1,105,948,806</u>	<u>995,203,738</u>
Expense			
Employee costs	10	358,768,913	303,386,020
Board of directors cost	11	48,244,651	17,014,650
Water and electricity	12	3,867,918	3,925,840
Repairs and maintenance	13	3,863,368	3,963,338
General office expenditure	15	337,595,541	263,232,651
Depreciation	14	38,666,828	27,135,235
Total expenses		<u>791,007,219</u>	<u>623,657,734</u>
Other gains			
Gain on sale of assets	8	-	527,755
Gain on foreign exchange transactions	9	286,583	3,198,101
Surplus		<u>315,228,170</u>	<u>375,271,859</u>

XII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

Assets	Note	2016 Kshs	2015 Kshs
Current Assets			
Cash and cash equivalents	16	1,093,971,702	792,629,580
Trade receivable from exchange	17	110,444,711	84,483,970
Trade receivable from non-exchange	18	74,024,677	89,744,669
Inventories	19	4,621,343	5,712,331
		<u>1,283,062,433</u>	<u>972,570,550</u>
Non-current assets			
Property, plant & equipment	22	290,843,167	249,497,957
Intangible assets	21	22,192,585	29,405,645
Mortgage Guarantees	20	136,655,846	116,251,333
		<u>449,691,598</u>	<u>395,154,935</u>
		<u>1,732,754,031</u>	<u>1,367,725,485</u>
Total Assets			
Liability			
Current liability			
Trade and other payables from exchange	23	43,431,930	32,692,948
Gratuity	24	9,172,726	12,683,042
Cash Book Overdraft	25	1,757,044	-
		<u>54,361,700</u>	<u>45,375,990</u>
Total liabilities			
Net assets			
Capital reserve	XIII	117,586,100	76,771,434
Revenue reserve	XIII	1,383,182,660	1,097,954,490
Revaluation reserve	XIII	7,623,571	7,623,571
Oil spill response mobilization fund	XIII	170,000,000	140,000,000
		<u>1,732,754,031</u>	<u>1,367,725,485</u>
Total net assets and liabilities			

The financial statements set out on page 1 to 28 were signed on behalf of the Board of Directors by;

COSMAS CHEROP
AG. DIRECTOR GENERAL

Date..... 24/02/2017

MWALIMS DIGORE KITAMBI
CHAIRMAN

Date..... 24/02/2017

III. STATEMENT OF CHANGES IN NET ASSET

For the year ended 30 June 2016

	Capital	Revenue reserves	Revaluation reserves	Specific reserves	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2014	76,771,434	762,682,631	7,623,571	100,000,000	947,077,636
Surplus for the year	-	375,271,859	-	-	375,271,859
Revaluation Reserve	-	-	-	-	-
Oil Spill Response Mobilization Fund	-	(40,000,000)	-	40,000,000	-
Adjustments(prior year)	-	-	-	-	-
Balance as at 30 June 2015	76,771,434	1,097,954,490	7,623,571	140,000,000	1,322,349,495
Surplus for the year	-	315,228,170	-	-	315,228,170
Revaluation Reserve	-	-	-	-	-
Oil Spill Response Mobilization Fund	-	(30,000,000)	-	30,000,000	-
Donated assets	40,814,666	-	-	-	40,814,666
Balance as at 30 June 2016	117,586,100	1,383,182,660	7,623,571	170,000,000	1,678,392,331

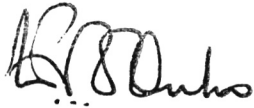
NB: Donated Assets include Three (3) boats for Search & Rescue donated by World Bank.

XIV STATEMENT OF CASHFLOW

For the year ended 30 June 2016

		2016	2015
	Note	Kshs	Kshs
Cash flow from operating activities			
Operating Surplus		315,228,170	375,271,859
Depreciation	13	38,666,828	27,135,235
Loss on disposal of non- current asset	8	-	(527,755)
Foreign exchange (gain) Loss	9	(286,583)	(3,198,101)
Interest income	6	(103,284,573)	(72,289,988)
		<u>250,323,842</u>	<u>326,391,250</u>
Working Capital changes			
Increase in trade receivables	17 & 18	(10,240,749)	(81,992,654)
Increase in trade payables	22	10,738,982	(56,701,002)
Decrease in gratuity	23	(3,510,316)	3,736,901
Decrease in Inventories	19	1,090,987	(1,701,554)
		<u>(1,921,096)</u>	<u>(136,658,309)</u>
Net cash generated from operating activities			
Investing activities			
Purchase of property, plant and equipment	21 & 22	(31,984,311)	(249,876,286)
Proceeds from sale of property, plant and equip.	8	-	2,058,893
Investment in fixed deposits and long term deposits	16 & 20	(358,372,835)	(414,251,333)
Interest Income	6	103,284,573	72,289,988
Foreign Exchange (Gain) /loss	9	286,583	3,198,101
		<u>(286,785,990)</u>	<u>(586,580,637)</u>
Net cash flow (used in)/generated in investing activities			
Net Increase / (Decrease) in cash and cash equivalents			
		<u>(38,383,244)</u>	<u>(396,847,696)</u>
Cash and Cash Equivalent as at 1 July		192,629,580	589,477,276
Cash and Cash Equivalent as at 30 June		<u>154,246,336</u>	<u>192,629,580</u>

financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kenya Maritime Authority Act, 2006.



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

Nairobi

19 April 2017

**XV. STATEMENT OF COMPARISON
BUDGET AND ACTUAL AMOUNTS**

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Variance
MS Levy	800,000,000.00	140,000,000.00	940,000,000.00	934,437,805.00	-5,562,195.00
Survey, Shipping Agency fee & others	20,000,000.00	-	20,000,000.00	17,450,428.00	-2,549,572.00
Interest Income	15,000,000.00	60,000,000.00	75,000,000.00	103,284,573.00	28,284,573.00
Government Grants	50,976,000.00	-	50,976,000.00	50,776,000.00	-200,000.00
Total income	885,976,000.00	200,000,000.00	1,085,976,000.00	1,105,948,806.00	19,972,806.00
Expense					
Basic Salary	211,500,000.00	0.00	211,500,000.00	156,330,356.00	55,169,644.00
Staff Allowances	7,000,000.00	-43,486,000.00	50,486,000.00	6,281,550.00	44,204,450.00
House Allowance	32,000,000.00	0.00	32,000,000.00	25,563,226.00	6,436,774.00
Leave Allowance	3,910,000.00	-90,000.00	4,000,000.00	2,914,479.00	1,085,521.00
Commuter Allowance	20,700,000.00	0.00	20,700,000.00	16,194,065.00	4,505,935.00
Staff Training Costs	75,000,000.00	-53,250,000.00	128,250,000.00	128,045,621.45	204,378.55
Induction and Orientation	600,000.00	0.00	600,000.00	17,800.00	582,200.00
Recruitment -New staff	300,000.00	0.00	300,000.00	36,800.00	263,200.00
Pension Expenditure	29,325,000.00	-675,000.00	30,000,000.00	23,385,015.00	6,614,985.00
Airfare-Directors	11,155,000.00	-4,245,000.00	15,400,000.00	11,373,245.00	4,026,755.00
Board Expense	29,116,000.00	-7,444,000.00	36,560,000.00	36,871,406.00	-311,406.00
Water	1,300,000.00	0.00	1,300,000.00	974,554.21	325,445.79
Electricity	3,000,000.00	-500,000.00	3,500,000.00	2,893,364.00	606,636.00
Comp Services & Maint.	2,000,000.00	0.00	2,000,000.00	1,208,133.00	791,867.00
Motor Vehicles Maintenance	-	0.00	1,500,000.00	933,154.00	566,846.00
Leasehold-Maintenance	1,300,000.00	-3,040,000.00	4,340,000.00	400,332.00	3,939,668.00
Maintenance-Furniture& Fittings	1,300,000.00	-60,000.00	1,360,000.00	1,000,961.38	359,038.62
Other Maintenance - General	400,000.00	-100,000.00	500,000.00	320,787.62	179,212.38
Airfare -staff	29,900,000.00	-9,200,000.00	39,100,000.00	39,356,605.00	-256,605.00
Duty Travel (Domestic)	40,000,000.00	-10,000,000.00	50,000,000.00	35,629,717.00	14,370,283.00
Duty Travel (Foreign)	40,000,000.00	8,950,000.00	31,050,000.00	30,565,884.00	484,116.00
Conference & Seminars	48,500,000.00	-11,500,000.00	60,000,000.00	29,314,551.48	30,685,448.52
Advertising	9,000,000.00	-1,000,000.00	10,000,000.00	9,779,585.00	220,415.00
Publicity & Awareness	64,719,000.00	-2,281,000.00	67,000,000.00	64,890,007.84	2,109,992.16
Medical & Group Cover	23,000,000.00	-7,000,000.00	30,000,000.00	19,834,735.00	10,165,265.00
Rent & Rates	13,000,000.00	0.00	13,000,000.00	9,381,524.00	3,618,476.00
Community Support HIV & AIDS	1,250,000.00	-8,750,000.00	10,000,000.00	3,470,649.00	6,529,351.00
Hire of Transport-Taxi	8,000,000.00	-2,000,000.00	10,000,000.00	9,535,443.00	464,557.00
Fuel	2,000,000.00	0.00	2,000,000.00	1,000,455.56	999,544.44

Library Expenses	1,200,000.00	0.00	1,200,000.00	595,784.00	604,216.00
Club Fees	450,000.00	-350,000.00	800,000.00	300,000.00	500,000.00
Research & Development	82,500,000.00	13,000,000.00	69,500,000.00	13,226,780.00	56,273,220.00
Corporate social responsibility	6,000,000.00	-1,000,000.00	7,000,000.00	6,924,253.00	75,747.00
Bank Charges	18,300,000.00	-3,200,000.00	21,500,000.00	22,058,323.00	-558,323.00
Security Services	4,800,000.00	-3,200,000.00	8,000,000.00	6,410,189.00	1,589,811.00
Audit fee	1,400,000.00	0.00	1,400,000.00	1,360,000.00	40,000.00
Consultancy fee	17,130,000.00	0.00	17,130,000.00	7,064,397.00	10,065,603.00
Annual Subscriptions & License	5,880,000.00	1,880,000.00	4,000,000.00	2,062,742.62	1,937,257.38
Insurance Exp.	5,500,000.00	0.00	5,500,000.00	3,239,859.00	2,260,141.00
Legal Fee	4,600,000.00	600,000.00	4,000,000.00	-	-
Marine Safety & Env. Protection	2,500,000.00	0.00	2,500,000.00	821,359.00	1,678,641.00
Office Incidentals	4,600,000.00	268,730.00	4,331,270.00	3,450,732.00	880,538.00
Uniform & Protective Clothing	3,000,000.00	1,000,000.00	2,000,000.00	365,924.00	1,634,076.00
Cleaning Service	4,100,000.00	-400,000.00	4,500,000.00	3,361,732.00	1,138,268.00
Entertainment	625,000.00	0.00	625,000.00	216,480.00	408,520.00
Entertainment third party	1,875,000.00	0.00	1,875,000.00	141,067.12	1,733,932.88
Printing & Stationary	16,000,000.00	7,300,000.00	8,700,000.00	4,267,443.23	4,432,556.77
Other General expense	-	0.00	868,730.00	824,581.00	44,149.00
Communication Cost	10,500,000.00	1,500,000.00	9,000,000.00	8,144,736.00	855,264.00
Depreciation	75,000,000.00	30,000,000.00	45,000,000.00	38,666,828.00	6,333,172.00
Total Expenditure	975,235,000.00	108,272,270.00	1,085,876,000.00	791,007,216.51	290,868,783.49

EXPLANATION

1. Interest Income surpassed the budget since the Reserve meant for the capital projects was not utilized during the year as planned. Hence invested to earn interest.
2. Staff cost recorded positive variance due to delay in recruitment process to fill the vacant position in the existing staff structure.
3. Utility (water and electricity) recorded positive variance due to cost cutting measure put in place like use of borehole water and switching off all electronics when not in use.
4. Board expense recorded positive variance as some board activities did not take place due to procurement and logistical challenges.
5. Maintenance cost also recorded positive variance as planned White House maintenance did not take place this will be done next financial year.
6. Duty travel also recorded positive variance as some cost was to be spent during National Conference which did not take place. Next one is scheduled next financial year.
7. Conference and seminar recorded positive variance since the planned second National Maritime conference failed to take place due to logistical and procurement challenges.
8. Medical cost recorded positive variance as anticipated additional staff were not recruited during the year.
9. Research and development recorded positive variance as most project were delayed due to long procurement process to get the right vendors.
10. Consultancy cost also recorded positive variance due to procurement process that was finalized in the following financial year.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented. Previously the financial statement were prepared in line with IFRS. There will no significant change to the financial performance and financial position since IFRS and IPSAS are based on accrual basis. There will be slight change in the classification of items in line with guideline provide by the Accounting Standard Board.

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees/Levy

The entity 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 entity 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 entity and can be measured reliably.

2. Summary of significant accounting policies (continued)

Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

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

As at close of financial year asset amount to Kshs 63,744,844 were fully depreciated. Being Motor vehicle Kshs 10 Million, Furniture & fitting Kshs 20 Million and Computer & ICT Kshs 32 Million.

2. Summary of significant accounting policies (continued)

d) Intangible assets – IPSAS 31

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

f) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

2. Summary of significant accounting policies (continued)

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- 1) The debtors or an entity 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 – IPSAS 12

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

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

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

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

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

h) Provisions – IPSAS 19

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

2. Summary of significant accounting policies (continued)

Contingent liabilities

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

Contingent assets

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

i) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Authority has got two reserve in place; Oil spill and mobilization fund for emergency SAR service. The two reverse 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.

k) Changes in accounting policies and estimates – IPSAS 3

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.

l) Employee benefits – IPSAS 25

Retirement benefit plans

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

2. Summary of significant accounting policies (continued)

The scheme is being administered by Alexander Forbes Retirement Funds (Pension and Sections)

- Rate of contribution is;- Self 7.5% of basic pay
- Employer 15% of basic pay

m) Foreign currency transactions – IPSAS 4

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 weekly CBK mean exchange rate. 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.

n) Related parties – IPSAS 20

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

- Ministry of Transport And Infrastructure-Received grant Ksh 50,776,000
- Board of directors-Incurred the following cost for the board Ksh.48,244,651

o) Cash and cash equivalents

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

p) Comparative figures

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

2. Summary of significant accounting policies (continued)

q) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Useful lives and residual values

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

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

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 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%

As at the end of the Financial Year 2015/2016 fully Depreciated Assets amounted to Kshs.63,744,844.17

2. Summary of significant accounting policies (continued)

r) Subsequent events – IPSAS 14

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, 2016.

s) Taxation

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

3. Levies	2016 Kshs.	2015 Kshs. Restated
Merchant shipping levy	912,758,848	800,657,760
Collection cost (KRA commission)	<u>21,678,957</u>	<u>19,027,353</u>
Total	<u>934,437,805</u>	<u>819,685,113</u>

4. Government grants

Ministry of Transport Infrastructure and Housing

Date		Date	
25/09/2015	12,744,000	26/09/2014	26,244,000
01/02/2016	12,544,000	03/03/2015	52,488,000
01/02/2016	12,744,000		
27/06/2016	<u>12,744,000</u>		
	<u>50,776,000</u>		<u>78,732,000</u>

5. Rendering of service

	Kshs.	Kshs.
Boat survey fees	7,067,157	5,580,742
Shipping agents fees	<u>5,080,565</u>	<u>9,282,034</u>
Total	<u>12,147,722</u>	<u>14,862,776</u>

6. Finance income-External investment

	Kshs.	Kshs.
Interest income from fixed deposits	<u>103,284,573</u>	<u>72,289,988</u>
Total	<u>103,284,573</u>	<u>72,289,988</u>

7. Other income

	Kshs.	Kshs.
Agency fee	2,243,158	2,166,504
Rental	674,944	647,595
Sale of books	950,000	751,235
Sale of tender document	43,000	4,000
Others	<u>1,391,604</u>	<u>6,064,526</u>
Total	<u>5,302,706</u>	<u>9,633,861</u>

8. Gain on sale of assets

	Kshs.	Kshs.
Cost of the asset	-	4,228,637
Accumulated depreciation	-	-2,697,499
Net book value	-	<u>1,531,138</u>
Proceeds	-	<u>2,058,893</u>
(Loss)/Gain on disposal	-	<u>527,755</u>

9. Foreign Currency Exchange

Gain on foreign exchange transaction	286,583	3,198,101
Unrealized gain on fair value of investment	-	-
	<u>286,583</u>	<u>3,198,101</u>

10. Employee cost

	2016 Kshs.	2015 Kshs.
Basic Salaries	144,003,484	138,037,170
House Allowances	25,563,226	25,753,278
Other Allowances	5,921,550	4,160,753
Leave Allowances	2,914,479	2,342,602
Commuter Allowances	16,194,065	15,832,963
Staff Wages	10,593,058	14,110,712
Internship	1,733,814	-
Entertainment	360,000	461,613
Staff Training	128,045,622	79,655,487
Induction and Orientation	17,800	254,400
Pension Expenditure	23,385,015	22,557,763
Recruitment	36,800	219,280
Total	<u><u>358,768,913</u></u>	<u><u>303,386,020</u></u>

11. Board of directors costs

	Kshs.	Kshs.
Airfare	11,373,245	2,756,800
Allowance and other expense	35,911,406	13,297,850
Chairman's Honoraria	960,000	960,000
Total	<u><u>48,244,651</u></u>	<u><u>17,014,650</u></u>

12. Purchase of water and electricity

	Kshs.	Kshs.
Water	974,554	772,315
Electricity	<u>2,893,364</u>	<u>3,153,525</u>
TOTAL	<u>3,867,918</u>	<u>3,925,840</u>

13. Repairs and maintenance

	Kshs.	Kshs.
Motor vehicle	933,154	369,966
Computer	1,208,133	487,033
Building	<u>1,722,081</u>	<u>3,106,339</u>
Total	<u>3,863,368</u>	<u>3,963,338</u>

14. Depreciation and amortization expense

	<u>Kshs.</u>	<u>Kshs.</u>
Property ,plant and equipment	26,139,781	23,672,933
Intangible Assets	<u>12,527,047</u>	<u>3,462,302</u>
Total Depreciation and amortization	<u>38,666,828</u>	<u>27,135,235</u>

15. General Expenditure	2016 Kshs	2015 Kshs
Domestic and Overseas Air Travel	39,356,605	31,268,083
Duty Travel Allowances - Domestic and Foreign	66,195,601	31,821,061
Conference and Seminars	29,314,551	32,885,787
Advertising	9,779,585	5,633,513
Publicity & Awareness	64,890,008	47,619,021
Medical and Group Accident Cover	19,834,735	17,571,560
Office Rent	9,381,524	9,273,537
HIV and AIDs related Awareness	3,470,649	131,500
Transport Hire	9,535,443	6,358,053
Fuel Costs	1,000,456	790,660
Library Expenses	595,784	1,190,585
Club Fees	300,000	360,000
Research and Development	13,226,780	17,835,575
Community Support	6,924,253	3,929,096
Bank Charges & Commissions	22,058,324	19,348,867
Security Services	6,410,189	4,002,606
Audit Fees	1,360,000	1,360,000
Professional & Consultancy Fees	9,127,139	8,678,807
Insurance	3,239,859	2,195,922
Legal Fees	-	262,715
Marine Safety & Env. Protection	821,359	1,995,322
Office Incidentals	3,450,732	2,750,000
Uniform and Clothing	365,924	618,976
Office Carpet and Curtain Cleaning	3,361,732	3,501,008
Entertainment	357,547	1,742,913
Printing and Stationery	4,267,444	5,460,893
Other Admin Expense	824,582	991,002
Communication Costs	8,144,736	8,655,590
Total	337,595,541	268,232,651

16. Cash and cash equivalents

	2016	2015
	Kshs	Kshs
KCB Current Account(Ksh)	70,096,748	132,615,550
KCB Savings Account	70,661,372	40,018,796
KCB Current Account (Dollar)	15,183,533	258,503
KCB Current Account-Kisumu (Ksh)	2,500	2,500
KCB Special Current	-	(2,000)
NBK Current (Dollar)	-	19,679,802
Petty Cash-Mombasa Office	3,743	16,462
Petty Cash-Lamu Office	48,025	9,867
Petty Cash-Turkana Office	7,459	30,100
Short Term Deposits	<u>937,968,322</u>	<u>600,000,000</u>
Total	<u>1,093,971,702</u>	<u>792,629,580</u>

17. Trade Receivable from exchange transaction

	Kshs	Kshs
Trade	10,520,773	14,053,566
Interest receivable	73,599,607	60,496,712
Prepayments	25,461,655	9,041,038
Others non trade	<u>862,676</u>	<u>892,654</u>
Total	<u>110,444,711</u>	<u>84,483,970</u>

18. Receivable from non-exchange transaction

	Kshs	Kshs
MS Levy fees	64,653,146	72,020,859
Outstanding imprest	<u>9,371,531</u>	<u>17,723,809</u>
Total	<u>74,024,677</u>	<u>89,744,668</u>

19. Inventories

	Kshs	Kshs
General supplies	3,778,659	4,639,368
Publications & library books	<u>842,684</u>	<u>1,072,963</u>
Total	<u>4,621,343</u>	<u>5,712,331</u>

20. Mortgage Guarantees

	Kshs	Kshs
House Loan Guarantee	111,155,846	105,751,333
Car Loan Guarantee	<u>25,500,000</u>	<u>10,500,000</u>
	<u>136,655,846</u>	<u>116,251,333</u>

21. Intangible asset

	<u>Intangible Assets</u>	<u>WIP</u>	<u>Total</u>
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
As at 30 June 2015	63,111,867	8,009,292	71,121,159
Additions	10,773,678	2,549,600	13,323,278
Transfer	-	(8,009,292)	(8,009,292)
As at 30 June 2016	73,885,545	2,549,600	76,435,145
As at 30 June 2015	41,715,514		41,715,514
Charge for the year	12,527,046		12,527,046
As at 30 June 2016	54,242,560		54,242,560
NBV as at 30 June 2016	19,642,985	2,549,600	22,192,585
NBV as at 30 June 2015	21,396,353	8,009,292	29,405,645

ASSET DESCRIPTION	Purpose	ACQUISITION VALUE
Work In Progress	Bulk Digitization, EDMS, W/Flow Mgt	2,462,100.00
Valuation of Land-Kwale Kisumu, Kilifi	Valuation of Land-Kwale Kisumu, Kilifi	87,500.00
TOTAL		2,549,600.00

22. Property , Plant and Equipment

Assets	Land & Building	Motor vehicles	Computers & IT Equipment	Furniture & Equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2014	-	18,887,318	44,649,635	55,587,459	119,124,412
Disposal	-	(1,370,000)	(2,804,478)	(54,159)	(4,228,637)
Additions	203,005,150	10,491,970	8,047,102	12,103,230	233,647,452
Re allocation	-	-	-	-	-
As at 30 June 2015	203,005,150	28,009,288	49,892,259	67,636,530	348,543,227
Disposal	-	(4,000,000)	-	-	(4,000,000)
Additions	4,483,214	16,766,048	375,999	45,859,730	67,484,991
Re allocation	-	-	-	-	-
As at 30 June 2016	207,488,364	40,775,336	50,268,258	113,496,260	412,028,218
Depreciation and impairment					
As at 1 July 2014	-	11,798,708	31,434,328	34,836,799	78,069,835
Disposal	-	(822,000)	(1,841,319)	(34,180)	(2,697,499)
Charge for the year	-	4,278,598	11,935,845	7,458,490	23,672,933
Adjustments	-	-	-	-	-
As at 30 June 2015	-	15,255,306	41,528,854	42,261,109	99,045,269
Disposal	-	(4,000,000)	-	-	(4,000,000)
Charge for the year	-	7,631,807	6,755,684	11,752,291	26,139,782
Adjustments	-	-	-	-	-
As at 30 June 2016	-	18,887,113	48,284,538	54,013,400	121,185,051
Net book values					
As at 30 June 2016	207,488,364	21,888,223	1,983,720	59,482,860	290,843,167
As at 30 June 2015	203,005,150	12,753,382	8,363,405	25,375,420	249,497,957

23. Trade and other payables from exchange transaction

	2016 Kshs.	2015 Kshs.
Trade Payables	39,067,804	27,243,931
Audit Fees Payable	1,400,000	1,200,000
Staff payables	22,174	3,251
Statutory	1,796,340	597,307
Other payable	1,145,612	3,648,459
Total	<u>43,431,930</u>	<u>32,692,948</u>

24. Gratuity

	<u>Kshs.</u>	<u>Kshs.</u>
As at 1 July	12,683,042	8,946,142
Charge for the year	5,074,452	6,545,852
Payment during the year	(8,584,768)	(1,781,874)
Adjustment on overprovision	-	(1,027,078)
As at 30 June	<u>9,172,726</u>	<u>12,683,042</u>

25. Cash Book Overdraft

	2016 Kshs	2015 Kshs
National Bank of Kenya (USD)	<u>1,757,044</u>	=
Total	<u>1,757,044</u>	=

25 FINANCIAL INSTRUMENTS

Capital risk management

The Authority manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Authority consists of cash and cash equivalents, share capital and retained earnings.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

	2016 Kshs	2015 Kshs
Categories of financial instruments		
Financial assets		
Receivables including cash and cash equivalents	1,278,441,090	966,858,218
Financial liabilities		
Payables	38,785,805	27,243,931

Financial risk management objectives

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market prices of the Authority's services. The company'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 extended to customers with an established credit history.

Foreign currency risk management

The Authority undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

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

25

FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

	2016 Kshs	2015 Kshs
Assets		
<i>Trade and other receivables</i>		
US Dollars	10,544,343	28,133.30
	=====	=====
<i>Due from related companies</i>		
US Dollars	-	-
	=====	=====
<i>Bank and cash balances</i>		
US Dollars	16,940,577	206,151.84
	=====	=====
Liabilities		
<i>Bank overdraft</i>		
US Dollars	-	-
	=====	=====
<i>Due to related companies</i>		
US Dollars	-	-
	=====	=====

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At 30 June 2016, if the Kenya Shilling had weakened/strengthened by 10% against the relevant foreign currencies with all other variables held constant, the impact on pre-tax profit for the period would have been lower /higher by Kshs 2,397,083(2015: Kshs2,483,422) .

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period end exposure does not reflect the exposure during the period.

Credit risk management

Credit risk refers to the risk that customers will default on its contractual obligations resulting in financial loss to the Authority.

25 FINANCIAL INSTRUMENTS (Continued)

The Authority's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on the company policy of providing for debts that are over ten months old.

The credit risk on trade receivables is limited because the customers are known customers with high credit ratings.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are banks with high credit-ratings.

The Authority does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The company does not have significant credit risk exposure to any single counterparty. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The amount that best represents the Authority's maximum exposure to credit as at 30 June 2016 and 30 June 2015 is made up as follows

2016

	Fully Performing Kshs	Past due Kshs	Impaired Kshs
Cash and cash equivalents	1,230,627,548	-	-
Trade receivables	10,520,773	-	-
	<u>1, 241, 148, 321</u>	<u>-</u>	<u>-</u>

2015

	Fully Performing Kshs	Past due Kshs	Impaired Kshs
Cash and cash equivalents	908,880,913	-	-
Trade receivables	14,053,566	-	-
	<u>922,934,479</u>	<u>-</u>	<u>-</u>

5 FINANCIAL INSTRUMENTS (Continued)

Cash and cash equivalents are fully performing.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low. The debt that is overdue is not impaired and continues to be paid.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short and medium-term funding and liquidity management requirements. The Authority manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. The company can also borrow from its ultimate parent company in the short term further reducing its liquidity risk.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2016

	Less than 1 month Sh'000	Between 1-3 months Sh'000	3 months to 1 period Sh'000	1-5 periods Sh'000	Total Sh'000
Trade payables	30,559,918	7,095,904	782,399	629,583	39,067,804
	----- 30,559,918 =====	----- 7,095,904 =====	----- 782,399 =====	----- 629,583 =====	----- 39,067,804 =====

2015

	Less than 1 month Sh'000	Between 1-3 months Sh'000	3 months to 1 period Sh'000	1-5 periods Sh'000	Total Sh'000
Trade payables	16,601,016	6,095,904	682,399	3,864,612	27,243,931
Due to related companies	-	-	-	-	-
Due to a director	-	-	-	-	-
Borrowings – bank overdraft	-	-	-	-	-
	----- 16,601,016 =====	----- 6,095,904 =====	----- 682,399 =====	----- 3,864,612 =====	----- 27,243,931 =====

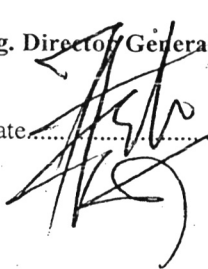
VI PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

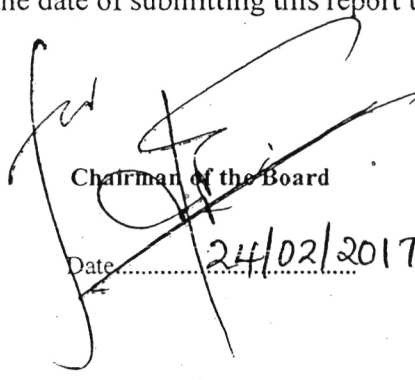
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Ag. Director General
 Date:  24/02/2017

Chairman of the Board
 Date:  24/02/2017