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THE AUDITOR-GENERAL

ON

BANDARI MARITIME ACADEMY

**FOR FOURTEEN MONTHS
PERIOD ENDED
30 JUNE, 2020**



BANDARI MARITIME ACADEMY
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED
JUNE 30, 2020

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

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30TH JUNE 2020

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FINANCIAL STATEMENTS
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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Bandari Maritime Academy (BMA) was established through the Legal Notice No 233 of 28th November 2018. The Board is in charge of giving strategic direction and the Director is in charge of the day-to-day affairs of the Academy.

(b) Principal Activities

The Academy is a successor to the Bandari College whose principal activity is an institution of excellence in teaching, training, scholarship, innovation and research in maritime skills. The Academy will generate employable skills in the maritime sector to support the development of the Blue Economy. The Academy in addition thereto fosters partnerships with multiple institutions both at the local and international level to ensure the highest international maritime standards in maritime human resource development are established and maintained.

(c) Key Management

The Academy day to day management is under the following key organs:

- Board of Directors
- Accounting Officer/Chief Executive officer
- Management

(d) Fiduciary Management

The Key Management personnel who held office during the Financial Year ended 30th June 2020 and who had direct Fiduciary responsibility were:

No	Designation	Name	Period
1	Ag. CEO	Jeremiah Were	September 2019- April 2020
2		Francis Muraya	April 2020 –
3	Ag. DDTTD	Abdalla Boto	September 2019
4	Ag. DDCS	Joseph Okhako	September 2019
5	Ag. Head of Finance and Accounts	John Maina	September 2019- May 2020
6		Abraham Wachira	May 2020 –
7	Ag. Head of Supply Chain Management	Patrick Kisua	September 2019- April 2020
8		Samuel Muthama	February 2020 –

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I. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangement

Board Committees

a) Finance and Human Resource Committee

S/No.	Name Of Director	Position
1.	Duncan Ndegwa Masai	Chair
2.	CPA Judith A. M. Nyakawa Alt Director (National Treasury)	Member
3.	Nancy W Karigithu, CBS, PS (Shipping and Maritime)	Member
4.	Jackson Andai Alt. Director, PS (Vocational and Technical Training)	Member
5.	Maj. (Rtd.) Nishit D Maru	Member

b) Technical and Operations Committee

S/No.	Name Of Director	Position
1.	Capt. Mohamed A Ali	Chair
2.	Duncan Ndegwa Masai	Member
3.	CPA Judith A M Nyakawa, Alt Director, PS (National Treasury)	Member
4.	Nancy W Karigithu, CBS, PS (Shipping and Maritime)	Member
5.	Jackson Andai Alt. Director, PS (Vocational and Technical Training)	Member
6.	Maj. (Rtd.) Nishit D Maru	Member
7.	CPA, Cathrine Juma	Member
8.	Mr. Edward Opiyo Alt. Director, MD, KPA	Member

c) Risk and Audit Committee

S/No.	Name Of Director	Position
1.	Cathrine Juma	Chair
2.	CPA Judith A M Nyakawa Alt Director (National Treasury)	Member
3.	Nancy W Karigithu, CBS, PS (Shipping and Maritime)	Member
4.	Jackson Andai Alt. Director, PS (Vocational and Technical Training)	Member
5.	Mr. Edward Opiyo Alt. Director, MD KPA	Member
6.	Capt. Mohamed A Ali	Member

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I. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Finance and Human Resource Committee

The Committee's activities include: -

- a) considers and submits for approval by the Board financial estimates of BMA'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) reviews and approves human resource policies consistent with the changing needs of BMA.

Technical and Operations Committee

The Committee's activities include: -

- a) set targets and negotiate on performance contracts;
- b) review and report on performance contract obligations to the Board;
- c) ensure that BMA's obligations and/or mandate are effectively and efficiently discharged;
- d) facilitate, monitor and oversee the implementation of the maritime education and training curriculum in various institutions;
- e) enhance the legal framework;
- f) set strategic direction for BMA and monitor the implementation of the strategic plan;
- g) raise the standards of corporate governance on behalf of the Board;
- h) oversee the development, preparation and implementation of corporate communication policies and recommending management publicity programmes to the Board;
- i) to enhance corporate affairs and communication within and outside BMA; and
- j) provide guidance on Corporate Social Responsibility activities and monitoring their implementation.

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I. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Risk and 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) provide 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) provide guidance on risk management;
- e) monitor BMA's compliance with Corporate Governance principles;
- f) monitor and have an oversight role in BMA's Corporate Social Responsibility activities;
and,
- g) safeguard the image of BMA by ensuring that ethical governance is upheld at all times.

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I. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

BMA Headquarters

Bandari Maritime Academy Complex
P.O. Box 99469-80107
Bishop Makarios Road
Mombasa

BMA Contact

Telephone Contact: +254 111 773 811 / +254 100 404 438
Email :bandarimaritime@gmail.com
Website: www.bma.ac.ke

BMA Bankers

Kenya Commercial Bank,
Kilindini Branch,
P O Box 90300,
Mombasa

Independent Auditors

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

Principal Legal Adviser,

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

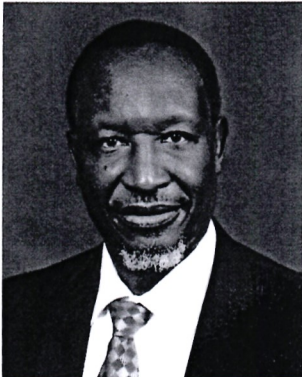
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II. THE BOARD OF DIRECTORS

No	Name	Position	Date of Appointment
1.	Prof. Kinandu Muragu	Chairman of the Board	3 rd May 2019
2.	Mr. Jeremiah K Were	Ag. Director	16 th August 2019- 6 th April 2020
	Mr. Francis M Muraya	Ag. Director	7 th April 2020 -
3.	Nancy W Karigithu, CBS	Principal Secretary, State Department for Shipping and Maritime Affairs	28 th November 2018
4	Dr. Julius Muia	Principal Secretary, The National Treasury	28 th November 2018
	CPA. Judith A M Nyakawa	Alt. Director The National Treasury	17 th July 2020
5	Dr. Julius Jwan	Principal Secretary, State Department for Vocational and Technical Training	28 th November 2018
	Mr. Jackson Andai	Alt. Director, PS, Vocational and Technical Training	27 th March 2019
6	Ach. Daniel Manduku	Managing Director, KPA	28 th November 2018
	Eng. Salim Rashid	Ag. Managing Director, KPA	28 th March 2020
	Mr. Edward Opiyo	Alt. Director, MD, KPA	27 th March 2019
8	Capt. Mohamed .A. Ali	Independent Director	3 rd May 2019
9	Maj. (Rtd.) Nishit D Maru	Independent Director	3 rd May 2019
10	CPA. Cathrine Juma	Independent Director	3 rd May 2019
11	Duncan Ndegwa Masai	Independent Director	3 rd May 2019

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II. THE BOARD OF DIRECTORS (Continued)

1.	 FCPA PROF. KINANDU MURAGU PHD	Chairman of the Board Prof. Kinandu Muragu, holds a Ph.D. in Finance from the University of Glasgow, UK. He graduated at University of Nairobi with B. Com (Hons) and MBA degrees. His experience includes working for the Central Bank of Kenya. He has held the following positions the Executive Director of the Kenya School of Monetary Studies, Dean of Finance and Administration and Chief Finance Officer at the United States International University (USIU)-Africa, an Associate Professor of Finance at USIU, Senior lecturer in the Department of Accounting and Finance at the University of Nairobi. He has consulted with a variety of International organizations such as the World Bank, World Food Programme and UNICEF. He has carried out consulting assignments in Kenya, Uganda, Tanzania, Malawi, Zimbabwe and Swaziland as a Senior Consultant for the Eastern and Southern African Management Institute (ESAMI). Prof. Muragu is also a Fellow of the Institute of Certified Public Accountants of Kenya
2.	 MRS. NANCY W. KARIGITHU, CBS,	Director Mrs. Karigithu is currently the Principal Secretary, State Department for Shipping and Maritime in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. She holds a Bachelor's degree in law from the University of Nairobi and a Master's degree in International Maritime law from the IMO International Maritime Law Institute, Malta. Previously she held the following posts Director General (DG) of Kenya Maritime Authority (KMA), State Counsel in the Office of the Attorney

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		General, Senior Legal Officer at the Kenya Ports Authority (KPA) where she rose to the post of an acting Assistant Corporation Secretary. Currently sits on the Board of Governors of the World Maritime University (WMU), based in Malmo, Sweden and was recently, feted and honored for honorary fellowship by the World Maritime University on 3rd November, 2019 in Malmo, Sweden as a result of her distinguished service in the maritime sector. She was instrumental in organizing the first ever Heads of Maritime Administrations and Ship Registrars Conference in Africa which was held in Mombasa, Kenya in October 2013, and further organized the first National Maritime Conference in February 2015 which brought together key stakeholders of the Maritime Industry to Kenya. She participated in the launch and is founding member of the Association of Women in the Maritime Sector in Eastern & Southern Africa (WOMESA) where she served for two terms as a Chairperson and now sits on the governing council.
3	 MR. FRANCIS M MURAYA	Director Mr. Francis Mubia Muraya is currently the Ag. Director/CEO, Bandari Maritime Academy. He has a Master of Education in Policy & Leadership Moi University, B. ED (Botany & Zoology) Kenyatta University and Higher Diploma Human Resource Management IHRM. Mr Francis Mubia Muraya was an Alternate in the Board of Directors in Kenya Maritime Authority for the Principal Secretary State Department for Shipping and Maritime Affairs – Nancy N. Karigithu, CBS. Mr. Muraya has vast experience of over

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		30 years working in the Public Sector having served in the ministries of Education, Interior and Labour in various senior positions. Before his appointment as the Ag. Director BMA, Mr. Muraya was the Director and Head of Human Resource Management at the State Department for Shipping and Maritime Affairs
4	 DR. JULIUS MUIA	Director Dr. Julius Muia is the Principal Secretary at the National Treasury. An alumnus of the University of Nairobi's School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Master's Degree and PhD in Finance from the same University. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach. Dr. Muia has over 25 years' experience in leadership in the private sector in Kenya and UK.
	 CPA JUDITH A. M NYAKAWA	Alternate Director CPA Judith A M Nyakawa is currently the Senior Deputy Director, Pensions Department of the National Treasury and Planning. She has spent over two decades in Public Financial Management and has managed the Finance Department of various ministries in Government. An alumnus of the University of Nairobi (B. Comm), Daystar University (MA, Counselling Psychology) and the USIU-Africa(MBA), she is also trained in PPPs by the IP3 Institute in Washington DC and has attended courses for Senior Managers in Government at the Harvard University in Boston Massachusetts in the USA.

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		She is a member of the ICPAK and the ICSK, and sits on various Boards in her private capacity and represents the Principal Secretary, National Treasury and Planning officially.
5	 DR. JULIUS JWAN	Director Dr. Julius Jwan is the Principal Secretary in the State Department for Vocational and Technical Training. He holds a PhD in Educational Leadership & Management and a Master of Science (M. Sc) in Educational Research Methods, both obtained from the UK. He also has a Master of Philosophy (MPhil) in Education Management from Norway and another Master's Degree in Linguistics from Moi University, where he also graduated with a Bachelor of Education Degree. Dr. Jwan is a winner of British Educational Leadership, Administration and Management Society (BELMAS) Best Doctoral Thesis Award, 2011. He has published widely on educational leadership and management in international journals and book chapters. He has authored two books on educational leadership and management, and one on research.
	 MR. JACKSON M ANDAI	Alt. Director Mr. Jackson M. Andai is currently serving as Alternate Director for Principal Secretary Vocational and Technical Training in the Ministry of Education. He holds an MBA from Kenyatta University. Additionally, he has previously served in areas of TVET Quality Assurance overseeing management of TVET institutions, Curriculum Development and Implementation for the last twenty years

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		in various regions of the Country.
6	 ENG. RASHID K SALIM	Director Eng. Rashid K. Salim is the current Ag. MD for Kenya Ports Authority. Prior to this appointment, he was the General Manager Engineering Services. He holds an HND in Marine Engineering (UK), holder of the Chief Engineer Certificate of Competency (COC) from South Shields Marine College (presently South Tyneside College in UK), Certificate of Competency Maritime Engineering Class 1, Certificate of Proficiency in Survival Craft and Rescue Boats, Certificate of Competency Marine Engineering Class II, Higher National Diploma in Marine Engineering and Ordinary National Diploma in Marine Engineering. He is a registered Incorporated Marine Engineer and member of the Institute of Marine Engineering, Science and Technology (UK); registered as an Incorporated Engineer with the Engineering Council (UK). His docket includes Marine Engineering, Terminal Engineering, Mechanical Engineering and Inland Waterways.
		Alt. Director Mr Edward Opiyo is the Head of Container Operations at the Kenya Ports Authority. He is a Master's Degree holder in Logistics and Chain Management from Moi University, has a Bachelor's Degree in Business Administration majoring in Marketing from Maseno University and

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	MR. EDWARD OKOTH OPIYO	also a Business Management Diploma from University of Nairobi. He also holds a Certificate in Inland Waters Transport. He has over thirty-five years' experience with Kenya Ports Authority.
7	 CAPTAIN A M ALI, Master Mariner & Accredited Marine Surveyor, Society of Accredited Marine Surveyors of U.S.A	Director Capt. Ali is currently a Master Mariner and an Accredited Marine Surveyor. He holds a Certificate of Competency (Deck Officer) 1ST Class Mariner issued by the Department of Trade under the Maritime Coastguard (MCA) UK. He has garnered a variety of Certificates over his entire educational study period in different study areas such as Maritime Labour Inspection, Maritime Security, Maritime Auditor, Marine Surveying, Master Mariner and many others. He has over 30 years' experience in the marine industry with career achievements such as working as a Dock Master and Marine Pilot with Kenya Ports Authority, non-Exclusive Surveyor - Bahamas Maritime Authority Flag State Inspector - Alba Petroleum Limited Operations Manager, Company Director with Condor Maritime Services (K) among other top positions. Some of his professional membership include; member of the International Register of Certified Auditors, member of the International Association of Marine Investigators (USA), member of the International Institute of Marine Surveyors (UK), Nautical Institute (UK) and finally member of the Associate Fellow of the Royal Institute of Navigation (UK).

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8	 C.P.A. CATHRINE W. JUMA,	Director Mrs. Cathrine Juma is currently the Managing Consultant and Trainer in Financial Management at Centwise Business Consulting. She is also a certified public accountant (CPAK) and holds an MBA (Entrepreneurship) from London Metropolitan University. She has previously been the Shared Services Centre Manager in Oxfam, Horn East and Central Africa Region (HECA) from May 2014 to March 2017 before taking up the role of a global corporate financial trainer in Oxfam until March 2018. She has held various positions in external and internal audit, accounting in public and private sectors and international NGOs in Kenya and internationally. She is a member of Professional Trainers Association of Kenya (PTAK) and Institute of Certified Public Accountants of Kenya (ICPAK). Cathrine is an experienced finance professional with over 25 years of experience in Financial Management, Audit and Business planning as well as in independent consultancy. She has hands-on experience in designing and running Shared Services Centre (SSC) having pioneered and redesigned the SSC Business Model.
9	 MAJOR (RTD) NISHIT DHANVANTRAI MARU L.L.M (MALTA), LL. B (PUNE), Dip KSL, ICPSK	Director Maj Maru is an advocate of the High Court of Kenya and currently a partner at CMS Daly Inamdar. Besides practice Major Maru also lectures at the University of Nairobi (Mombasa Law Campus) where he teaches Public International Law, International Law of the Sea and International Shipping Law He holds a Master of Laws in

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		International Maritime Law from the IMO- International Maritime Law Institute, Malta, and Bachelors of Law from University of Pune and a Diploma from Kenya School of Law. He is a Member of the Institute of Certified Company Secretaries of Kenya and a Notary Public.
10	 MR. DUNCAN NDEGWA MASAI	Director Duncan Ndegwa is the Regional Sales Manager at Brookside Dairy Ltd in-charge of the North Eastern Region. He has experience in executive business negotiations and has received recognition in completion of projects in the Coast region, Zanzibar and Pemba. Mr. Ndegwa has a wealth experience well over 22 years in marketing, establishment of business relations, strategy development and implementation among other areas. Duncan Ndegwa is the founding member of Operational Management Society of Kenya. He has a Master's in Business Administration and is currently pursuing a PHD programme in Strategic Management at the University of Nairobi.

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III. MANAGEMENT TEAM

NAME OF THE STAFF/PICTURE	RESPONSIBILITY
 Mr. Francis M Muraya Mr. Muraya has a Master of Education in Policy & Leadership Moi University B. ED (Botany & Zoology) Kenyatta University and Higher Diploma Human Resource Management KIM. Mr. Muraya has vast experience of over 30 years working in the Public Sector having served in the Ministries of Education, Interior and Labour in various Senior Positions.	Ag. Director, Bandari Maritime Academy The Office undertakes the day-to-day management of the Academy through management of funds, property, staff and affairs of the Academy. The office ensures there is proper implementation of the policies, programmes and objectives of the Academy. The office oversees the preparation of the strategic plan, annual plan, budget and audited accounts of the Academy. The office ensures effective implementation of the Board's directives.
 Mr. Abdalla Boto Mr. Abdalla Boto holds a Bachelor of Education degree from Moi University, with 25 years of working experience in teaching and training. He has worked as a Training Officer in the former Bandari College now Bandari Maritime Academy. Mr. Boto has performed several functional roles while at Bandari College, from Public Service	Responsible for Technical Training and Development The Office coordinates the following departments: -Nautical Science; Marine Engineering; Port Operations, Shipping and Logistics; Safety & Ancillary; Office of Registrar Academic; Quality Assurance; Admission & Guidance and Counselling; Curriculum & Examination; Library & Resource Centre. The Office implements for the following functions: - Formulating students' policies and overseeing implementation - Managing the drawing of the annual training programme and monitoring implementation - Coordinating and managing training activities - Administering exams

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Integrity Officer and Trainer, Quality Management System (QMS) Departmental Management Representative and QMS Internal Auditor, and Performance Management Trainer.	e) Spearheading review of courses and curriculum development f) Signing certificates of attendance for different modules/courses g) Coordinating the preparation of annual training budget and monitoring control h) Organizing and coordinating attachments of students
Mr. Joseph Patterson Okhako Mr. Okhako holds a Master's Degree in Business Administration (MBA) - Strategic Business Management, a first degree in Human Resource Management, a Diploma in Law and a Postgraduate Certificate in Corruption Studies. He is a member of the Institute of Human Resource Management – Kenya and Ethics Institute of South Africa and a Certified Ethics Officer and Trainer. Mr. Okhako has over 15 years' experience in Public Service.	Responsible for Corporate Services; The office provides overall management and coordination of corporate support services of the Academy in finance and accounts, strategy and planning, human resource and administration, information technology, hospitality and maintenance. The division has six (6) departments; a) Department of Planning and Strategy b) Department of Finance and Accounts c) Department of Human Resource and Administration d) Department of Hospitality e) Department of ICT; and, f) Department of Maintenance
	Ag. Corporation Secretary /Head of Legal Services The office provides the following services: - a) legal advisory, represent the Academy in any civil or criminal proceedings, draft and/or review contracts, agreements and other legal instruments

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Ms. Katherine M Kithikii Ms. Kithikii is a holder of LLB (Kent University), LLM (IMLI), (Graduate Certificate in Maritime Studies (ANCORS), LPC (Guildford College of Law), Dip in Law KSL and Commissioner for Oaths/Notary Public. Ms. Kithikii has over 10 years of legal work experience in both the public and private sector.	b) liaise with ministries and government departments on legal matters pertaining MET c) initiate and/or progress drafting of laws and regulations on matters pertaining MET, d) provide guidance to the Board on their duties and responsibilities and on matters of governance, e) arrange and conduct periodic and special meetings of the Board, preparing agenda and board papers and ensuring all board members receive agenda before scheduled meetings, f) make administrative arrangement for board meetings among other aspects.
Mr. Samuel Muthama Mr. Muthama holds an MBA, from Maastricht School of Management – ESAMI, a Degree in B'COM from the University of Nairobi, CIPS - UK & H/Diploma Human Resource Management – Institute of HRM – Kenya. Mr Muthama has more than 15 years' work experience in Government and State Agencies in Procurement Matters.	Responsible for Supply Chain Management. The Supply Chain Management Department undertakes the following tasks; a) Compilation and preparation of yearly Procurement Plan b) Implementation of the Procurement Plan c) Preparation, advertisement and evaluation of Tenders d) Advising the Director/CEO on appointment of Ad hoc procurement committees e) Rendering of Procurement professional advice to the Director/CEO f) Overseeing the implementation of awarded contracts. g) Receipt of stores and store management

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IV CHAIRMAN'S STATEMENT

The Academy was launched with a new mandate as a Centre of excellence by HE President Kenyatta on the 8th of July, 2019 with the objective of developing skills for the growth of the blue economy for Kenya and the Region.

Over the last one year, over 2000 individuals/personnel were trained in the areas of STCW, Port operations and in the modular courses.

The Academy however faces major challenges in training personnel and infrastructure.

The Academy is in the process of developing curriculum to enable the Academy deliver more courses which has commenced as well as developing partnerships for training and sharing of resources.

The Academy is in the process of developing a Strategic Plan that will set the Agenda for the Academy.


Prof. Kinandu Muragu
Chairman, Board of Directors

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Upon establishment of the Academy in November 2018, the following activities have taken place:

- The Board of Directors of the Academy were appointed in May 2019 is effective and is functional.
- Human Resource Policies and Instruments were approved and are now awaiting approval by relevant Government agencies. The instruments are key to recruitment of critical staff once they are approved.
- The Academy through the support of the European Union commenced the process of development of the BMA Strategic Plan which process stalled as a result of COVID -19 but has resumed and shall be concluded in the FY 2020/21
- Academy has identified the quick win courses whose curriculum is under development for employability at sea.
- Identification of critical skills required at the Academy for purposes of delivery of quick win course(s) as well as efficient and effective execution of BMA mandate in accordance with the Legal Notice.
- The Academy has trained over 600 young persons on basic STCW courses(s) many of whom were able to acquire employability at sea through the MSC –GOK Partnership.
- The Academy with the minimum resources provided has been improving facilities to enhance their usability. Currently the hostels are under renovation. There have been renovations for workshops, Simulator rooms, and the Aquatic centre etc.
- The Examination classes for the modular courses (Marine Engineering and Nautical and Transport Logistics) have 169 students who are expected to sit for their exams in January of 2021 as per the new calendar from the Ministry of Education.
- Developed a collaboration framework with other training Institutions such as the City of Glasgow College Scotland and Kenya Coast National Polytechnic among others. The Academy also sought to establish a collaborative framework with KMA and KPA.

This Academy has set a task to training 2,000 youth per year for sea-based economy. The Academy is set to create this talent pool to support the sector's skill requirements. However, there are critical facilities that must be in place for this to be achieved and to comply with IMO standards for the employability of the youth.

These include:

- Multipurpose complex
- Construction of a Jetty (Survival Craft Center)
- Hostels
- Port operations equipment
- Construction of a Fire Fighting Training Center
- Ship – in Campus – Laboratory for Marine
- Mandatory STCW Courses - Equipment

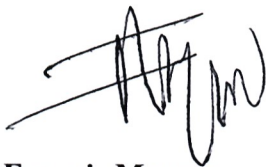
The total cost is estimated at over Ksh. 2 Billion.

The Academy in conjunction with other MDAs has developed professional concept notes which were forwarded to the Ministry and the National Treasury for consideration.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

V. REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Further, the campus ground is fully utilized and there is minimal ground for expansion. The Academy will in due course identify areas for the establishment of Campuses across the Republic. Other major challenges include staffing, availability for sea time, and the major budgetary cost once KPA disengages from providing contracted services among others. Additionally, the Academy is in the process of establishing open and distance learning management system that will ensure learning as accessible across the Region and Internationally.



Francis Muraya

Ag. Chief Executive Officer

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VI. REVIEW OF THE ACADEMYS PERFORMANCE FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

Section 81 and 82 of the Public Finance Management Act, 2012 requires an Accounting Officer for a National Government owned Entity to prepare annual financial statements of the financial year in respect of the entity.

In preparing the annual financial statements for a National Government Entity, the Accounting Officer shall ensure that the report:

- (a) Contains information on the financial and non-financial performance of the entity; and**
- (b) Is in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board of Kenya from time to time.**

Programme: Shipping and Maritime Affairs

Objective: Promotion of maritime and shipping affairs

Programmes/Sub-Programme, Expected Outcome, Outputs and Key Performance indicators for the Sub-Sector

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2019/20	Actual Achievement 2019/20
Programme: Shipping and Maritime Affairs					
Outcome: Increase in share of the Maritime Sector's contributions to the GDP					
SP.3Maritime Affairs	Bandari Maritime Academy	Operationalization of Bandari maritime Academy	% of Marine Engineering section completed and Operational	50	40
			% of Nautical Science section complete and operational	70	52
			% of commercial shipping section complete and operational	70	40
			% of Basic Safety training		

BANDARI MARITIME ACADEMY
 FINANCIAL STATEMENTS
 FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

			section complete and operational	70	50
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VII. CORPORATE GOVERNANCE STATEMENT

In accordance with the Board Charter and Code of best practices, the Academy has adopted high standards and applies strict rules of conduct in the discharge of its functions. 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 Academy while recognizing that the Academy acts as an exemplary good corporate citizen.

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 Academy;
- (ii) Approve the organizational structure;
- (iii) Approve the annual budget of the organization;
- (iv) Monitor the Academy's performance and ensure sustainability;
- (v) Ensure availability of adequate resources for the achievement of the Academy's objectives

The Board also reviews and approves the Academy'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 Academy. The last Board evaluation was conducted by S.C.A.C on the 31st August, 2020. The Director is an ex officio member of the Board and is accountable to the Board for the management of the Academy as prescribed in the Legal Notice and more specifically in the Board Charter and Code of best practice. The Board monitors the performance of the Academy's senior Management by reviewing the financial performance on a quarterly and annual basis. The Academy in terms of performance has embarked on undertaking a performance contract which shall be undertaken for the FY 2020/21. The Academy also embarked on development of its Strategic Plan to ensure that the Academy executes its mandate in accordance with the Legal Notice and the Merchant Shipping Act provisions and appurtenant regulations. The Academy in accordance with the Mwongozo Code has scheduled a Legal and Governance Audit for the FY 2020/21.

Conflict of Interest

The Board is under obligation to act in the best interest of the Academy 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 Academy over other interests. The Board members is expected to act honestly and in good faith so as to create a culture built on principles of integrity accountability and transparency.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VII. CORPORATE GOVERNANCE STATEMENT (Continued)

Corruption Prevention

The Board of Directors have approved the Board Charter and the Code of Ethics for purposes of Implementation. The Board was scheduled to undertake the EACC training however the planned activity was suspended due to COVID -19. The Academy has in place a Conflict of Interest Register for purposes of implementation of the Anti- Corruption and Economic Crimes Act, 2003, Public Officer Act, 2003 and the Leadership and Integrity Act, 2012.

Board Structure

The Board presently has a Chairman and four (4) independent Directors appointed in accordance with section 5 (1) (g) of the Bandari Maritime Academy Order, 2018 and representatives of the Government as per section 5 (1) (b-e) of the Bandari Maritime Academy Order, 2018. The members have diverse qualifications suitable for leading the Academy in the execution of its mandate. Directors' terms of appointment to office are governed by the Bandari Maritime Academy Order, 2018, State Corporations Act and 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 for a duration of three years, renewable for a further three-year term renewable upon satisfactory performance of duties. The members of the Board are appointed at different times so that the respective expiry dates of their terms of office fall at different times.

The Bandari Maritime Academy Order, 2018 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 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).

Board Remuneration

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

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VII. CORPORATE GOVERNANCE STATEMENT (Continued)

Board Meetings

The Board discharges its responsibilities through the Technical and Operations Committee, Finance and Human Resource Committee and the Risk and Audit Committee. In the Financial Year 2019/2020 the Board held the following meetings:

d) 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.	Prof. Kinandu Muragu	Chairman	6	6	100%
2.	PS Nancy Karigithu	Director	6	6	100%
3.	Mr. Jackson Andai	Alternate Director	6	5	83%
4.	CPA Judith A M Nyakawa ¹	Alternate Director	6	0	0%
5.	Arch. Daniel Manduku	Director	6	1	17%
	Mr. Edward Opiyo	Alternate Director		5	83%
6.	CPA Cathrine Juma	Director	6	6	100%
7.	Capt. Mohamed Ali	Director	6	4	67%
8.	Maj Nishit Maru	Director	6	6	100%
9.	Mr. Duncan Ndegwa	Director	6	6	100%

e) Special Board Meetings

A total of Seven (7) Special Board (including Special Finance and Human Resource Committee) 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.	Prof. Kinandu Muragu	Chairman	7	6	86%
2.	Mr. Jeremiah K Were	Director	7	5	71%
	Francis M Muraya			2	29%
3.	CPA Judith A M Nyakawa ²	Alternate Director	7	0	0 %
4.	Mr. Jackson Andai	Alternate Director	7	5	79%
5.	Mr. Edward Opiyo	Alternate Director	7	4	57%
	Mr. Daniel Ogutu			1	14%
6.	CPA Catherine Juma	Director	7	7	100%
7.	Capt Mohamed Ali	Director	7	7	100%
8.	Maj Nishit Maru	Director	7	7	100%
9.	Mr. Duncan Ndegwa	Director	7	7	100%
10.	PS Nancy Karigithu	PS	7	5	71%
	Mr. Francis Muraya	Alt. Dir		1	14%
	Mr. Joash Akuma	Alt. Dir		1	14%

¹ Appointed 17th July 2020

² Appointed 17th July 2020

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VII. CORPORATE GOVERNANCE STATEMENT (Continued)

f) Technical and Operations Committee Meetings

During the period under review the TOC held a total of three (3) 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	Capt. Mohamed Ali	Chair	3	3	100%
2	Mr. Duncan Ndegwa	Member	3	3	100%
3	PS Nancy Karigithu	Member	3	2	66%
	Mr. Joash Akuma	Alternate Member	3	1	33%
4	CPA Judith A M Nyakawa ³	Alternate Director	3	0	0%
5	Mr. Jackson Andai	Member	3	3	100%
6	CPA Cathrine Juma	Member	3	3	100%
7	Mr. Edward Opiyo	Member	3	3	100%
8	Rtd Maj Nishit Maru	Member	3	3	100%

g) Finance and Human Resource Committee Meetings

During the period under review the FHRC held a total of three (3) 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. Duncan Ndegwa	Chair	3	3	75%
2.	PS Nancy Karigithu	Member	3	-	-
3.	Mr. Joash Akuma	Alternate Member		2	67%
	Ms. Rosemary Gichohi	Member		1	33%
4.	CPA Judy Nyakawa ⁴	Member	3	0	0%
5.	Mr. Jackson Andai	Member	3	3	75%
6.	Maj Nishit Maru	Member	3	3	75%

³ Appointed 17th July 2020

⁴ Appointed 17th July 2020

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VII. CORPORATE GOVERNANCE STATEMENT (Continued)

h) Risk and Audit Committee Meetings

During the period under review the RAC held a total of one (1) meeting. 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.	CPA Cathrine Juma	Chair	1	1	25%
2.	PS Nancy Karigithu	Member	1	-	25%
	Mr. Joash Akuma	Alt. Member		1	
3.	CPA Judy Nyakawa ⁵	Member	1	0	0%
4.	Mr. Jackson Andai	Member	1	1	25%
5.	Mr. Edward Opiyo	Member	1	1	25%
6.	Capt. Mohamed Ali	Member	1	1	25%

The Academy during the period under review was not able to hold the scheduled meetings due to the unavailability of an internal auditor despite the Academy's numerous requests for the deployment and/or secondment of an auditor to audit its activities.

i) AD HOC Committee Meetings

During the period under review the AD HOC Committee on Recruitment of Short Term Personnel held a total of 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.	Maj. Nishit Maru	Chair	4	4	100%
2.	PS Nancy Karigithu	Member	4	-	0 %
	Mr. Francis M Muraya	Alt. Member		1	25%
	Eng. Wilfred Kagimbi	Alt. Member		1	25%
3.	CPA Cathrine Juma	Member	1	0	25%
4.	Mr. Jackson Andai	Member	1	1	25%
5.	Mr. Edward Opiyo	Member	1	1	25%
6.	Capt. Mohamed Ali	Member	1	1	25%

⁵ Appointed 17th July 2020

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Academy Operational and Financial performance

The Institution Management is headed by the Executive which directs the entire operations and is headed by the Director who is also the Chief Executive Officer of the Academy. The Academy also has three departments namely; Corporation Secretary & Legal Services, Corporate Support Services, and Training and Development, each of which is under the leadership of a Head of Department. There are also Heads of Department heading various specialised areas.

The Training and Development Department is in-charge of the core mandate of the Academy and coordinates all training and development programmes. The Corporation Secretary and Legal Services Department provides legal and policy guidance and advice to the core department while the Corporate Support Services department provides support services to the Academy. It facilitates the other departments in the delivery of their responsibilities and performance of their duties by providing finance and administrative support.

SECTION B

Academy Compliance with statutory requirements

The Academy operates under the following key statutes, Legal Notice No 233 of 28th November 2018, PFM Act, Income Tax Act and Public Procurement and Asset Disposal Act among other statutes. Management ensures that the Academy complies with all the relevant sections of these statutes. During the period under review the Academy complied with all the statutes.

SECTION C

Key Projects and investment decision the Academy is planning/Implementing

The Academy did not have projects under the Development vote during the review period. It is however noted that there are critical infrastructural needs that require to be in place for the success of the Academy in achieving the core mandate. It was expected that these were to be supported by the Kenya Ports Authority to the tune of **Kshs. 519 Million (Kenya Shillings Five Hundred Nineteen Million)**.

Major Risks facing the Academy

The Academy faces major risks due to lack of adequate staff and delayed transfer of assets from KPA

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VIII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The list of the projects is as tabulated below;

STATUS OF PROJECTS COMPLETION						
	Project	Total Project Cost	Total Expended To Date	Completion % To Date	Budget	Sources
1	Construction firefighting Mock – up (fire ground) as per the IMO requirement	100,000,000	Nil	0%	100,000,000	KPA
2	Construction of a Jetty (Survival Centre) with two Davits and Cradles for sea fearers training	100,000,000	Nil	0%	100,000,000	KPA
3	Construction of a 4 Storey Block (Labs, Simulators, Classrooms)	75,000,000	Nil	0%	75,000,000	KPA
4	Construction of an Administrative Block for Staff offices	85,000,000	Nil	0%	85,000,000	KPA
5	Purchase of Equipment for Bandari Driving School	102,000,000	Nil	0%	102,000,000	KPA
6	SACADA Training Equipment	6,000,000	Nil	0%	6,000,000	KPA
7	3 No. Full operational petrol and Diesel engine trainer	15,000,000	Nil	0%	15,000,000	KPA
8	Acquisition and Installation of a Reverse Osmosis Plant for Water desalination	36,000,000	Nil	0%	36,000,000	KPA
Total Capital Budget		519,000,000			519,000,000	

SECTION D

Major risks facing the Academy.

The Academy faces a major risk of staff stability. The current staff are mostly seconded from the State Department, KPA and KMA. This matter will be resolved once the Academy recruits its own staff.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VIII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SECTION E

Material arrears in statutory/financial obligation

The Academy has met all its statutory and financial obligations in the reporting period.

SECTION F

Financial probity and serious governance issues

Governance issues by internal and external parties where and when they arise are appropriately addressed by management.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

IX. CORPORATE SOCIAL RESPONSIBILITY

- **Sustainability strategy and profile**

- The Academy is cognizant of the National and International Trends in economic dynamics. The Academy aspires to align with the National Development priorities to ensure sustainability and adopt international best practices to enhance performance

- **Environmental performance**

The Academy has endeavoured to comply with the provisions embedded in the NEMA Act and in other Environmental Policies, rules and regulations

- **Employee welfare**

The Academy on need basis supports employees' welfare.

- **Market Place Practices**

The Academy awards contract fairly to suppliers in compliance to the constitutional requirements of fair competition and diversity.

**BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020**

X. REPORT OF THE DIRECTORS

Principal Activities of the Academy

The Academy is a successor to the Bandari College whose principal activity is an institution of excellence in teaching, training, scholarship, innovation and research in maritime skills. The Academy will generate employable skills in the maritime sector to support the development of the Blue Economy. The Academy in addition thereto fosters partnerships with multiple institutions both at the local and international level to ensure the highest international maritime standards in maritime human resource development are established and maintained.

Results for the fourteen (14) months period ended 30th June 2020

The results of Bandari Maritime Academy for the fourteen (14) months period ended 30th June, 2020 are set out on page 36- 41.

Director's Paragraph

The members of the Board of Directors who served during the 14 months' period ended 30th June 2020 year are shown on page 6. There were no retirements/resignations.

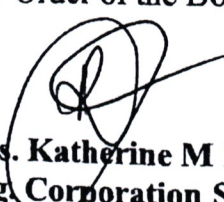
Surplus Remissions

Bandari Maritime Academy did not make any surplus during the year FY 2019/2020 and hence no remittance to the Consolidated Fund. The unspent funds constitute tuition fees paid in advance among other aspects.

Auditor's

The Auditor General is responsible for the statutory audit of Bandari Maritime Academy in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2020.

By Order of the Board


Ms. Katherine M Kithikii
Ag. Corporation Secretary
Mombasa

Date:.....26/3/2021

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

XI. STATEMENT OF DIRECTORS RESPONSIBILITY

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the fourteen (14) months period ended June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) .The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity'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 entity will not remain a going concern for at least the next twelve months from the date of this statement.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

VII. STATEMENT OF DIRECTORS RESPONSIBILITY (Continued)

Approval of the Financial Statements

The Academy's Annual Reports and Financial Statements have been prepared in accordance with Section 81 and 82 of the PFM Act and were approved by the Board on **15th** day of **October 2020** and signed on its behalf by:

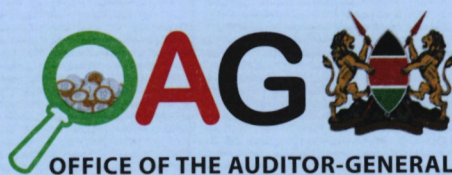
K. Murugan

Chairman

[Signature]

Director

REPUBLIC OF KENYA



Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON BANDARI MARITIME ACADEMY FOR FOURTEEN MONTHS PERIOD ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bandari Maritime Academy set out on pages 36 to 75, which comprise of the statement of financial position as at 30 June, 2020, 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 period 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 effects of the matter 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 Bandari Maritime Academy as at 30 June, 2020, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the State Corporations Act, Cap 446 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Service Fees (Tuition Fees)

As disclosed in Note 7 to the financial statements, the statement of financial performance for the fourteen (14) months period ended 30 June, 2020 reflects revenue from exchange transactions balance of Kshs.26,119,518 out of which an amount of Kshs.24,092,150 relates to service fees (tuition fees). However, the tuition fees was not supported detailed students list.

Further, information available indicated that the Kenya Ports Authority collected fees amounting to Kshs.19,729,000 which was disclosed in the Authority's financial statements for the year ended 30 June, 2020 but the same was not disclosed in the Academy's financial statements. This is contrary to Legal Notice No. 233 Paragraph 22 which provides that, 'all funds which immediately before the coming into operation of the order which were held on behalf of Bandari College shall by virtue of the sub paragraph be vested in the academy.'

In addition, admission records provided for audit indicated that twenty-three (23) students were admitted for long-term courses during the period under review. However, caution fees amount of Kshs.10,000 paid by each student amounting to Kshs.230,000 was classified as service fees revenue instead of refundable deposits.

Consequently, the accuracy and completeness of services fees (tuition fees) of Kshs.24,092,150 for the fourteen (14) months period ended 30 June, 2020 could not be confirmed.

2. Unsupported Employee Costs

As disclosed in Note 9 to the financial statements, the statement of financial performance for the fourteen (14) months period ended 30 June, 2020 reflects employees' costs amounting to Kshs.29,778,910 which constitutes a balance of Kshs.1,156,518 paid as casual wages. However, examination of records revealed that the Academy engaged twenty-four (24) casual workers but signed attendance register indicating details of the casual workers and when they were engaged were not provided for audit review.

Further, the balance includes daily subsistence allowances amounting to Kshs.17,338,926 out of which an amount of Kshs.6,794,700 was not supported by invitation or approval letters to attend activities or meetings, details or purpose of the official travels, evidence of travel, workplans and reports or minutes of meetings.

Consequently, the propriety and validity of expenditure amounting to Kshs.7,951,218 included under employees' costs for the fourteen (14) months period ended 30 June, 2020 could not be confirmed.

3. Bandari Maritime Academy Expenditure

The statement of financial performance for fourteen (14) months period ended 30 June, 2020 reflects total expenses balance of Kshs.177,206,146. Information available indicated that Kenya Ports Authority had also spent an amount of Kshs.191,008,710 in respect of the Academy's operations during the same period. However, the expenditure had not been recognized in the Academy's books of accounts.

Consequently, the accuracy and completeness of total expenses of Kshs.177,206,146 fourteen (14) months period ended 30 June, 2020 could not be confirmed.

4. Unsupported Inventories

As disclosed in Note 14 to the financial statements, the statement of financial position reflects inventories balance of Kshs.5,233,077 as at 30 June, 2020. However, the balance was not supported by a stock-take certificate indicating the specific stock items, quantity, value and location of the inventories as at 30 June, 2020. Further, the supporting general ledger indicated inventories balance of Kshs.5,589,735 resulting to a variance of Kshs.356,658 between the two sets of records which has not been explained or reconciled.

Consequently, the existence and accuracy of the balance Kshs.5,233,077 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

5. Property, Plant and Equipment

As disclosed in Note 15 to the financial statements, the statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.1,489,773,937. However, examination of records revealed that assets valued at Kshs.1,526,964,840 were donated by Kenya Ports Authority to the Academy but handing over reports were not provided for audit review to confirm the assets donated to the Academy. No documentary evidence was provided for audit review to show how the values were determined.

Further, available information indicated that ownership documents for the donated assets have not been surrendered to the Academy but the assets continue to be disclosed in the Authority's financial statements. It could not be ascertained whether the assets acquired through a non-exchange transaction were initially measured at their fair value as at the date of acquisition.

Under the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.1,489,773,937 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bandari Maritime Academy 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

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.285,500,000 and Kshs.275,372,866, respectively resulting to an under-funding of Kshs.10,127,134 or 4% of the budget. Similarly, the Academy expended Kshs.177,206,146 against an approved budget of Kshs.285,500,000 resulting to an under-expenditure of Kshs.108,293,854 or 38% of the budget, an indication that the Academy did not undertake some of the planned activities during the period under review and may therefore not have realized its anticipated objectives and strategic goals.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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

Operations Without an Approved Budget

The statement of comparison of budget and actual amounts for the year under review reflects a revenue budget of Kshs.285,500,000 and total expenditure budget of the same amount. However, no documentary evidence to show the approval of the budget was provided for audit review. This is contrary to Section 68(2)(j) of the Public Finance Management Act, 2012 which requires an accounting officer of a National Government entity to submit estimates of a public entity which is a state corporation to the Cabinet Secretary responsible for that state corporation who, after approving it, shall forward it to the National Secretary

Consequently, 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

Weaknesses in Internal Controls

Audit review of the Academy's organizational and governance structure revealed that Management had not established an Internal Audit Unit as required by Section 73 (1-

a) of the Public Finance Management Act, 2012 which states that, 'every national government entity shall ensure that it complies with this Act and (a) has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

Further, although the Board of Directors has established an audit committee as required by Section 73 (5) of the Public Finance Management Act, 2012, it has not established the internal audit functions to ensure that there is an effective risk-based audit plan and approved an internal audit charter for the Academy.

In addition, Management has not developed a risk management policy to guide on the development of a risk management strategies, which include fraud prevention mechanism; as well as a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of strong internal controls and policies to guide the Academy operations could not be established.

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

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing Academy'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 Academy or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements follow the authorities which govern them, and that public resources are applied in an effective way in line with Article 229(6) of the Constitution of Kenya, 2010.

The Board of Directors is responsible for overseeing the Academy's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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 Academy'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 Academy to cease to continue sustaining 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 Academy to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

Report of the Auditor-General on Bandari Maritime Academy for Fourteen (14) Months Period ended 30 June, 2020

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR FOURTEEN
(14) MONTHS PERIOD ENDED 30TH JUNE 2020**

	Notes	2019-2020
		Kshs
Revenue from non-exchange transactions		
Transfers from Ministries, Departments and Agencies	6	249,253,348
		249,253,348
Revenue from exchange transactions		
Rendering of services	7	26,119,518
Total revenue		275,372,866
Expenses		
Goods and services	8	26,384,649
Employee costs	9	29,778,910
Remuneration of directors	10	12,185,990
Depreciation and amortization expense	11	86,324,557
Repairs and maintenance	12	22,532,040
Total expenses		177,206,146
Surplus before tax		98,166,719
Taxation		0
Surplus/(deficit) for the period/year		98,166,719
Remission to National Treasury		0
Net Surplus for the period		98,166,719

The notes set out on pages 42 to 74 form an integral part of these Financial Statements

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	13	136,984,778
Current portion of receivables from exchange transactions		0
Inventories	14	5,233,077
		142,217,855
Non-current assets		
Property, plant and equipment	15	1,489,773,933
Intangible assets	16	148,750
Total Non – Current Assets		1,489,922,683
Total assets		1,632,140,538
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	17	6,308,980
Payroll and other Deductions		0
Provisions for Audit Fees	18	700,000
Payments received in advance		0
Total Current Liabilities		7,008,980
Non-current liabilities		
Deferred tax liabilities		0
Total Non – Current Liabilities		0
Total liabilities		7,008,980
Net assets		1,625,131,558
Reserves		
Accumulated Funds		98,166,719
Capital Funds	19	1,526,964,839
Total net assets and liabilities		1,625,131,558

The Financial Statements set out on pages 36 to 41 were signed on behalf of the Board of Directors by:

Director/C.E. O/M. D
Name: **FRANCIS MURRAY**

Date: **26/3/2021**

Head of Finance
Name:
ICPAK Member Number:
ABRIKHAM WACHIKRA

Date: **26/3/2021**

Chairman of the Board
Name: **PROF KINAWA MURAG**

Date: **2021-03-26**

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30TH JUNE 2020

XV STATEMENT OF CHANGES IN NET ASSETS FOR FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE 2020

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
At July 1, 2019	0	0	0	0	0	0
Revaluation gain	0	0	0	0	0	0
Transfer of excess depreciation on revaluation	0	0	0	0	0	0
Deferred tax on excess depreciation	0	0	0	0	0	0
Fair value adjustment on quoted investments	0	0	0	0	0	0
Total comprehensive income	0	0	98,166,719	0	0	98,166,719
Capital/Development grants received during the year	0	0	0	0	1,526,964,839	1,526,964,839
Transfer of depreciation/amortization from capital fund to retained earnings	0	0	0	0	0	0
Dividends paid – 2018	0	0	0	0	0	0
Interim dividends paid – 2019	0	0	0	0	0	0
Proposed final dividends	0	0	0	0	0	0
At June 30, 2020	0	0	98,166,719	0	1,526,964,839	1,625,131,558

The Capital/Development grants received during the year refers to Assets inherited from Kenya Ports Authority at the inception of Bandari Maritime Academy. The assets are at original cost.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

XVI. STATEMENT OF CASHFLOWS FOR FOURTEEN (14) MONTHS THE PERIOD ENDED 30TH JUNE 2020

		2019-2020
		Kshs
Cash flows from operating activities		
Receipts		
Transfers from other governments – gifts and services in kind	6	249,253,348
Rendering of services	7	26,119,518
Total Receipts		275,372,866
Payments		
Goods and services	8	24,608,746
Compensation of employees	9	29,778,910
Directors Emoluments	10	12,185,990
Repair & Maintenance	12	22,532,040
Total Payments		89,105,686
Net cash flows from operating activities	20	186,267,180
Cash flows from investing activities		
Purchase of property, plant and equipment	15	(49,112,402)
Purchase of Intangible Assets	16	(170,000)
Increase in investments		0
Net cash flows used in investing activities		(49,282,402)
Cash flows from financing activities		
Capital Grants		0
Net cash flows used in financing activities		0
Net increase/(decrease) in cash and cash equivalents		136,984,778
Cash and cash equivalents at the beginning of the year		0
Cash and cash equivalents at 30 JUNE	13	136,984,778

This cashflow statement has been prepared using direct method of cash flow preparation.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30TH JUNE 2020

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR FOURTEEN (14) MONTHS
PERIOD ENDED 30 JUNE 2020**

	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020	Actual Explanations
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants and subsidies	200,000,000	50,000,000	250,000,000	249,253,348	746,652	The amount was utilized by KMA to facilitate Directors of BMA during the presidential launch of the Academy on 8 th July 2019 as part of the 50 Million donation
Rendering of services	0	35,500,000	35,500,000	26,119,518	9,380,482	The fees payment was reduced by the closure of the Academy due to Covid-19.
Sale of goods	0	0	0	0	0	
Finance Income	0	0	0	0	0	
Total income	200,000,000	85,500,000	285,500,000	275,372,866	10,127,134	
Expenses						
Compensation of employees	26,200,000	11,670,000	37,870,000	29,778,910	8,091,090	The Academy closure due to Covid 19 reduced activities that could attract employee costs.
Goods and services	93,990,000	-11,670,000	82,320,000	26,384,649	55,935,351	There was inadequate staff to implement programs that could attract

BANDAKI MAKIIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD ENDED 30 JUNE, 2020

							expenditure for goods and services
Directors' Emoluments	15,120,000	0	15,120,000	12,185,990	2,934,010	In the 4 th quarter all the Board meetings were conducted virtually hence no costs on DSA or travel.	
Repairs and Maintenance	64,690,000	85,500,000	150,190,000	22,532,040	127,657,960	There were works in progress on renovations and maintenance which were not completed in the FY 2019/20	
Depreciation and Amortization Expense	0	0	0	86,324,557	-86,324,557	There was no budget for depreciation	
Grants and subsidies paid	0	0	0	0	0		
Total expenditure	200,000,000	85,500,000	285,500,000	177,206,146	108,293,854		
Surplus for the period	0	0	0	98,166,720	0		

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Bandari Maritime Academy (BMA) was established through the Legal Notice No 233 of 28th November 2018 and derives its authority therein and accountability from PFM Act 2012 and other Legal Instruments. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity is a successor to the Bandari College whose principal activity is an institution of excellence in teaching, training, scholarship, innovation and research in maritime skills. The Academy will generate employable skills in the maritime sector to support the development of the Blue Economy. The Academy in addition thereto fosters partnerships with multiple institutions both at the local and international level to ensure the highest international maritime standards in maritime human resource development are established and maintained

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The preparation of financial statements is in conformity with International Public Sector Accounting Standards (IPSAS) which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in various Notes.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

(a). Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

a. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 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: (a) The nature of such social benefits provided by the entity; (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.

BANDARI MARITIME ACADEMY
FINANCIAL STATEMENTS
FOR THE FOURTEEN (14) MONTHS PERIOD 30TH JUNE 2020

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2022: 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other Improvements to IPSAS	Applicable: 1st January 2021: 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 b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. 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 c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. 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. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

b. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

Rendering of services

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

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

Sale of goods

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

Interest income

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

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Academy has not recorded additional appropriations on the 2019-2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 5 of these financial statements.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes

Current income tax

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the placement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

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

h) Research and development costs

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

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

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

i) 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 Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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

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

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

Costs incurred in bringing each product to its present location and conditions 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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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.

j) Provisions

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

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

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

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.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

The Academy does not maintain any reserves

l) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits

Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s)Comparative figures

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

t)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, 2020.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual 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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 20.

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

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XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2019-2020
	KShs	KShs			
			KShs	KShs	KShs
State Department of Shipping and Maritime	200,000,000.0	0.0	0.0	200,000,000.0	200,000,000.0
Kenya Maritime Authority	49,253,348.0	0.0	0.0	49,253,348.0	49,253,348.0
Total	249,253,348.0	0.0	0.0	249,253,348.0	249,253,348.0

The funds were received quarterly (Appendix 2)

Kshs 49,253,348.00 was a funds Transfer from Kenya Maritime Authority in October 2019. (Appendix 1)

7. RENDERING OF SERVICES

Description	2019-2020
	KShs
Service fees(Tuition Fees)	24,092,150
Conference Facilities (Amphitheatre)	1,518,842
Swimming pool charges	197,200
Sale of tenders	58,000
Miscellaneous Revenue	253,326
Total revenue from the rendering of services	26,119,518

Tuition fees is fee charged to student who attend the various courses offered at the Bandari Maritime Academy.

NB: All income is classified as far as possible in the relevant classes. Other income has been used to recognise income not elsewhere classified

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. USE OF GOODS AND SERVICES

Description	2019-2020
	KShs
Water	292,150
Advertising Expenses	1,404,512
Audit fees	700,000
Conference Expenses	1,071,020
Bank Charges	341,920
General Office Expenses	8,925,974
Hospitality	619,312
Fuel Oil	1,898,428
Motor Vehicle Insurance	483,066
Printing and Stationery	555,749
Hire of Training Facilities & Equipment	40,000
Telephone Expenses	1,136,133
Membership Fees	34,200
Training Machine & Equipment	80,000
Training Aids	8,802,185
Total Use of Goods and Services	26,384,649

9. EMPLOYEE COSTS

Description	2019-2020
	KShs
Salaries and wages – Resource person	6,232,630
Daily subsistence allowance (Foreign)	1,539,425
Telephone allowance	149,160
Casual wages	1,156,518
Non- Air travel (Bus, Railways etc)	158,200
Daily subsistence allowance (Domestic)	17,338,926
Air travel local - staff	849,289
Sundry (Taxies)	42,400
Partnerships , Publicity and Awareness	2,237,362
Covid – 19 Response	75,000
Total	29,778,910

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. REMUNERATION OF DIRECTORS

Description	2019-2020
	KShs
Chairman's Honoraria	1,120,000
Insurance Expenses	1,079,818
Board Trainings	451,200
Lunch Allowance - Directors	38,000
Daily subsistence allowance (Foreign)	488,709
Non- Air travel (Bus, Railways etc)	60,000
Directors Sitting Allowance	3,959,200
Daily subsistence allowance (Domestic)	3,278,200
Air travel local	1,084,551
Air travel - Foreign	458,000
Telephone Allowance - Chairperson	136,000
Mileage	32,312
Total Remuneration of Directors	12,185,990

11. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020
	KShs
Buildings	15,182,902
Motor vehicles	4,741,350
Furniture and Fittings	5,279,665
Office equipments and Computers	3,804,408
Kitchen Equipment	2,586,393
Property, Plant and Machinery	11,573,568
Motor Boats	3,734,608
Communication Equipment	631,504
House Hold Equipment	37,125
Intangible assets	21,250
Ship-Simulators	38,731,784
Total Depreciation and Amortization	86,324,557

Depreciation and amortization has only been calculated on all assets acquired through purchase by Bandari Maritime Academy and donations by Kenya Ports Authority

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. REPAIRS AND MAINTENANCE EXPENSE

Description	2019-2020
	KShs
Property, Plant and Machinery	208,800
Buildings	5,609,145
Computers	137,700
Swimming Pool	12,200
Workshop Equipment	11,121,480
Motor Vehicle	515,870
Others	4,926,845
Total Repairs and Maintenance	22,532,040

13. CASH AND CASH EQUIVALENTS

Description	2019-2020
	KShs
Current Account	136,984,778
Total Cash and Cash Equivalents	136,984,778

13 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Description		2019-2020
Bandari Maritime Academy	Account Number	KShs
a) Current Account		
Kenya Commercial Bank	1264378726	136,984,778
Grand Total		136,984,778

14. INVENTORIES

Description	2019-2020
	KShs
Consumables stores	5,233,077
Total Inventories at the lower of costs and net realizable value	5,233,077

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XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. EQUIPMENT, PROPERTY AND PLANT

- i. The assets have been depreciated using the straight-line method.
- ii. The assets in possession by BMA were donated by KPA and are yet to be handed over to BMA officially.

	Land	Buildings 2.5%	Motor Vehicles 25%	Furniture & Fittings 12.5%	Office Equipment & Computer 33.33%	Boats 25%	Plant & Machinery 12.5%	Household Equipment 12.5%	Communi- cation Equipment 33.33%	Ship Simulators 12.5%	Kitchen Equipment 12.5%	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1st July 2019	453,900,000	605,588,082	5,364,000	34,392,316	6,563,684	0.00	92,588,542	0.00	1,334,000	309,854,263	17,379,952	1,526,964,840
Additions	0.00	1,728,000	13,601,398	7,845,000	4,850,681	14,938,434	0.00	297,000	560,700	1,980,000	3,311,189	49,112,402
Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers/adju- stments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 30 th June 2020	453,900,000	607,316,082	18,965,398	42,237,316	11,414,365	14,938,434	92,588,542	297,000	1,894,700	311,834,263	20,691,141	1,576,077,242
Depreciation and impairment												
At 1 July 2019	0.00	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	15,182,902	4,741,350	5,279,665	3,804,408	3,734,608	11,573,568	37,125	631,504	38,731,783	2,586,393	86,303,304
Impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
At 30 June 2020	0.00	15,182,902	4,741,350.0	5,279,665	3,804,408	3,734,608	11,573,568	37,125	631,504	38,731,783	2,586,393	86,303,304
Net book values												
At 30 th June 2020	453,900,000	592,133,180	14,224,049	36,957,652	7,609,957	11,203,825	81,014,974	259,875	1,263,196	273,102,480	18,104,749	1,489,773,937

XVIII. NOTES TO THE FINANCIAL STATEMENTS
(Continued)

16 INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020
	KShs
Cost	
At beginning of the year	0.0
Additions	170,000
Additions–internal development	0.00
At end of the year	170,000
Amortization and impairment	
At beginning of the year	0.0
Amortization	21,250
Impairment loss	0.0
At end of the year	21,250
NBV	148,750

17 TRADE AND OTHER PAYABLES

Description	2019-2020
	KShs
Trade payables	4,866,030
Other payables	1,442,950
Total trade and other payables	6,308,980

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XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROVISION FOR AUDIT FEES

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance b/d (1.07.2019)	0	0	0	0
Provision for Audit fees	0	0	700,000	700,000
Total provisions as at 30.6.2020	0	0	700,000	700,000

19. CAPITAL GRANTS

Description	2019-2020
	KShs
Donated Assets from K.P.A	1,526,964,839
Total Capital Grants	1,526,964,839

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XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. CASH GENERATED FROM OPERATIONS

Description	2019-2020
	KShs
Surplus for the Year Before Tax	98,166,719
Adjusted for:	
Depreciation	86,324,557
Contribution to Provisions	700,000
Increase in Inventory	(5,233,077)
Increase in Payables	6,308,980
Cash Generated From Operations	186,267,180

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
At 30 June 2019				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx.

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

The table below represents cash flows payable by the entity 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.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk

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

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

The entity'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 entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity 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.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22.FINANCIAL RISK MANAGEMENT (Continued)

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Total financial assets	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Total financial liabilities	0	0	0
Net foreign currency asset/(liability)	0	0	0

The entity 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.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Total financial assets	0	0	0
Financial Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Total financial liabilities	0	0	0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

The following table demonstrates the effect on the entity'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

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Market risk (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	10%	0	0
USD	10%	0	0
2019			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2020				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
At 30 June 2019				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2020				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
At 30 June 2019				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Land and buildings	0	0	0	0

There were no transfers between levels 1, 2 and 3 during the year.

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
	0	0
Total funds		
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing		

XVIII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity 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 *Bandari Maritime Academy*, holding 100% of the *Bandari Maritime Academy* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Ministry of Transport, Infrastructure, Housing and Urban Development and Public Works- State Department for Shipping and Maritime
- iii) Kenya Ports Authority
- iv) Key management;
- v) Board of directors;

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods	0.00	0.00
Sales of services	0.00	0.00
Total	0.00	0.00
b) Grants from the Government		
Grants from National Government	200,000,000.00	0.00
Grants from County Government	0.00	0.00
Donations in kind	0.00	0.00
Total	200,000,000.00	0.00
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0

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	Payments for goods and services	0	0
		0	0
	Total		
	d) Key management compensation		
	Directors' emoluments	12,185,990.0	0
	Compensation to the CEO	0	0
	Compensation to key management	0	0
	Total	0	0

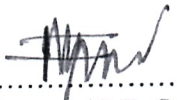
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24. APPENDICES

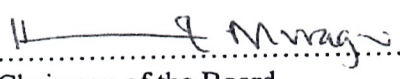
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Bandari Maritime Academy, being a new entity, will be having its Maiden Audit for the FY 2019/2020 in the proceeding financial year.

Reference No. on the external audit Report	Type / Observations from Auditor	Management comments	Responsible person to resolve the issue (Name and designation)	Status Resolved Not Resolved	Comments (Duration within which you expect the issue to be resolved)
N/A					


.....
Director /C.E. O/M. D

Date.....26.03.2021


.....
Chairman of the Board

Date.....2021-03-26

XIX. APPENDICES (Continued)

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

There were no Projects implemented by Bandari Maritime Academy Funded by the development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

Bandari Maritime Academy had no ongoing projects in the Financial Year 2019/2020.

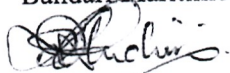
24. APPENDICES (Continued)

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME: ✓				
Break down of Transfers from the State Department of Shipping and Maritime				
FY 2019/2020				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		18th October 2019	100,000,000.00	FY 2019/2020
		2nd March 2020	50,000,000.00	FY 2019/2020
		5th June 2020	17,000,000.00	FY 2019/2020
		5th June 2020	17,000,000.00	FY 2019/2020
		5th June 2020	16,000,000.00	FY 2019/2020
		Total	200,000,000.00	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	0.00	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	0	

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

Finance Manager
Bandari Maritime Academy



Head of Accounting Unit
State Department for Shipping and Maritime



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XIX. APPENDICES (Continued)

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized				
	as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of xxx	0.00	Recurrent	0.00	0.00	0	0	0	0.00
Ministry ofxxx	0.00	Development	0.00	0.00	0	0	0	0.00
Donor(e.g. USAID)	0.00	Donor Fund	0.00	0.00	0	0	0	0.00
Kenya Maritime Authority	49,253,348.00	Support	49,253,348.00	49,253,348.00	0	0	0	49,253,348.00
Total			49,253,348.00	49,253,348.00	0.00	0.00	0.00	49,253,348.00

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