

REPUBLIC OF KENYA



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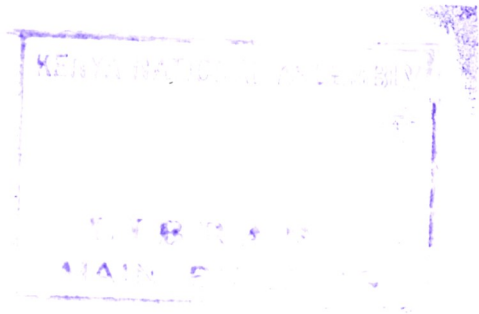
KENYA NATIONAL AUDIT OFFICE

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OF  
THE CONTROLLER  
AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA MARITIME AUTHORITY FOR  
THE YEAR ENDED 30 JUNE 2007

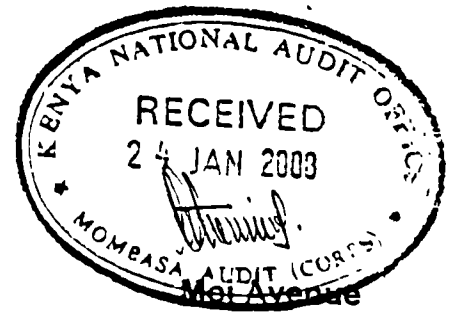


**KENYA MARITIME AUTHORITY**

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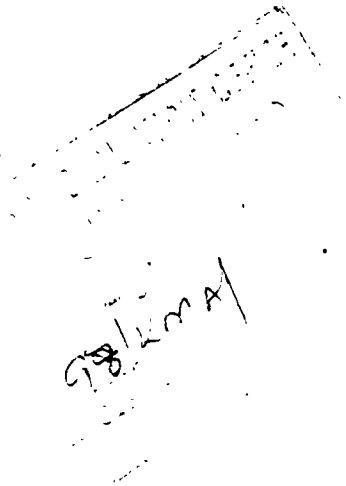
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Email



P.O. Box 95076-80104  
MOMBASA - KENYA

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**



**FOR THE PERIOD 1<sup>ST</sup> JULY 2006 TO  
30<sup>TH</sup> JUNE 2007**



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**KENYA MARITIME AUTHORITY**

**CORPORATE INFORMATION ON THE AUTHORITY**

<b>Directors</b>		<b>Date of Appointment</b>
1	Col. (Rtd) Joseph. N. Nguru. EBS	Chairman 05.01.2005
2	Mrs. Nancy W. Karigithu	Director General 10.02.2005
3	Dr. Gerrishon K. Ikiara. MBS	Director PS (M.O.T.) 21.06.2004
4	Mr. Joseph Kinyua, CBS	Director PS (M.O.F.) 27.04.2005
5	Capt. Meshillam N. Muthami	Director 06.01.2005
6	Capt. John M. Odhach	Director-Rtd (04.06.07) 06.01.2005
7	Mr. Silvester Kututa	Director 04.06.2007
8	Mr. Ahmed A. Mraja	Director 06.01.2005
9	Capt. Matata Nyakeya	Director 06.01.2005
10	Dr. Nyawira Muthiga	Director 06.01.2005
11	Lt. Col.(Rtd) Harjit Kelly	Director 06.01.2005
12	Hon. Amos Wako, EGH, EBS MP	Attorney General 29.04.2006

**Alternate Directors and Advisors**

Ms Roselyn Amadi

Alternate Director to AG

Mr. Peter Thuo

Alternate Director to PS (M.O.T.)

Mr. Kennedy Ondieki

Alternate Director to PS Treasury

**Corporation Secretary**

Mrs. Margaret N. Mwangi, HSC

P.O.BOX 95076-80101.

Mombasa.

**Registered Office**

White House. Moi Avenue.

P.O Box 95076-80101.

Mombasa.

**Main Banker**

Kenya Commercial Bank-Kilindini Branch.

P.O.Box 90300-Mombasa.

**Auditor**

Controller and Auditor- General.

Kenya National Audit Office.

Anniversary Towers.

P.O. Box 30084-00100.

NAIROBI.

KENYA MARITIME AUTHORITY

## MANDATE OF THE AUTHORITY

Kenya Maritime Authority was established on 21<sup>st</sup> June 2004 vide legal Notice Number 79 of 2004.

Its mandate is to regulate, co-ordinate and oversee maritime affairs through ensuring safety of life at sea, security of ships and port facilities and the protection of marine environment for the socio-economic benefit of stakeholders.

### Key Objectives

The following are the key objectives of Kenya Maritime Authority

1. To enhance maritime safety and security through ensuring the seaworthiness and safe operation of Kenyan and foreign vessels in Kenyan waters.
2. To protect the marine environment by administering programs to prevent and respond to the threat of ship –source marine pollution.
3. To optimize commercial maritime activities for socio-economic benefits by re-aligning commercial maritime policy towards realization of vision 2030.
4. To facilitate maritime education and training by developing a national curriculum on maritime education and training in conjunction with relevant government agencies in line with International standards.
5. To protect and promote the welfare of seafarers by ensuring working conditions of seafarers are in conformity with international standards.
6. To advice the government on maritime legislation by identifying and articulating legislative requirements.



## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA MARITIME AUTHORITY FOR THE YEAR ENDED 30 JUNE 2007

I have audited the financial statements of Kenya Maritime Authority set out on pages 5 to 16 which comprise the balance sheet as at 30 June, 2007, the income statement, statement of changes in equity and the cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. 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.

#### The Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Authority's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

### **Balance Sheet Assets, Funds and Liabilities**

The Kenya Maritime Authority balance sheet as at 30 June 2007 reflects total assets of Kshs.252,879,494 and total equity and liabilities of Kshs.252,879,494. The assets and liabilities include unidentified amounts that were held by the Merchant Shipping Superintendent, a department of the Kenya Ports Authority, before Kenya Maritime Authority was established. However, no signed documents between Kenya Ports Authority and Kenya Maritime Authority were produced for audit verification to confirm the transfer of these assets, liabilities and funds formerly held by the Merchant Shipping Superintendent to Kenya Maritime Authority. In the absence of transfer documents, it was not possible to confirm the existence and completeness of the Assets, Liabilities and Funds reflected in the financial statements as at 30 June 2007.

### **Opinion**

Except for the reservation set out in the preceding paragraph, in my opinion, proper books of accounts have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Authority as at 30 June 2007 and of its surplus and cashflows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Maritime Authority Act, 2006.

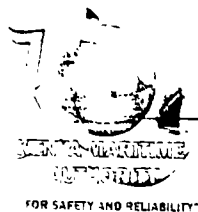
*P. N. Komora*

**P. N. KOMORA, C.B.S.  
CONTROLLER AND AUDITOR GENERAL**

Nairobi

12 March 2008

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Moi Avenue  
P.O.Box 95076-80104  
MOMBASA - KENYA

## CHAIRMAN'S STATEMENT ON ANNUAL REPORT AND ACCOUNTS 2006/2007

Kenya Maritime Authority came into being through Legal Notice Number 79 of 2004 dated 21<sup>st</sup> June 2004. The Board of Directors was appointed in January, 2005 and inaugurated by the Minister on 24<sup>th</sup> March 2005.

During the second half of 2006/2007 activities of the Board and the Authority were funded solely by the Ministry of Transport and Merchant Shipping Superintendent (MSS) Levy. During 2006/2007 the Authority had recruited its staff to almost full capacity, after which seconded KPA staffs were recalled in February 2007.

The accounts for 2006/2007 show a surplus of Ksh, 117,448,989

The Authority is at advanced stages of acquiring office premises, which is anticipated to be funded from the surplus indicated above.

The following Maritime Bills have been developed, the enactment of which will give the Authority additional regulatory / enforcement capacity.


These are: -

1. The Merchant Shipping Bill 2007 published in May 2007
2. Marine Pollution Bill pending publication
3. Amendments to the Lakes & Rivers Act Cap 409

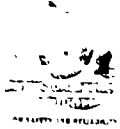
A draft revised Merchant Shipping Fees and the MSS Levy is pending approval by the Ministry. This is expected to reduce the Authority's dependence on the Exchequer.

The Authority has developed Service Charter to enhance service delivery. KMA aspires to be a modern state Corporation in terms of operational efficiency and effectiveness, employee and customer satisfaction and social responsibility. To this end during the current financial year, the Authority will have a complete makeover of the office building and its environs, a state of the art ICT and Library facilities and also implement an elaborate program of employee training and customer/stakeholders awareness.

Finally, I wish to take this opportunity to extend my gratitude and that of the Board of Directors to the Government, the Ministry of Transport, Staff of Kenya Maritime Authority and all our customers/stakeholders for the great support extended to us over the current year. We wish to assure all of you that together we have the capacity to make KMA a truly great public organization.

  
Col. (Rtd) J.N. Nguru, EBS  
CHAIRMAN

Date: 23 Jan 2008



DIRECTORS' RESPONSIBILITY

It is the responsibility of the Directors to prepare financial statements that give a true and fair view of the state of affairs of the Authority at the end of the financial year and of the Income and Expenditure and cash Flow for the year. In preparing those financial statements, the Directors are required to:

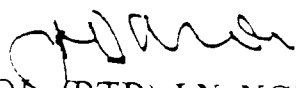
- select suitable accounting policies and apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- Prepare the financial statement on the going concern basis unless it is inappropriate to presume the Authority will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the Assets of the Authority and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors do hereby accept responsibility for the annual financial statements, which have been prepared in conformity with International Financial Reporting Standards. Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern in the foreseeable future.

The Directors present their report together with the financial statements for the year ended 30<sup>th</sup> June 2007.

The Authority is funded by the Ministry of Transport and Merchant Shipping Superintendent Levy fees, which are collected on its behalf by Kenya Ports Authority.

  
COL. (RTD) J.N. NGURU, EBS  
CHAIRMAN

  
NANCY W. KARIGITHU  
DIRECTOR GENERAL

DATE 23 Jan 2008.....

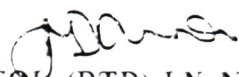
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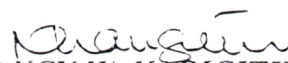


KENYA MARITIME AUTHORITY

**BALANCE SHEET AS AT 30 JUNE 2007**

FIXED ASSETS	NOTES	2006/2007	2005/2006
		Ksh.	Ksh.
<b>Non Current Assets</b>			
Property, Plant & Equipment	2	17,234,178	9,729,145
<b>Current Assets</b>			
Inventories	3	1,366,730	.-
Trade and Other Receivables	4	11,288,075	45,287,930
Bank and Cash Balances	5	109,619,099	64,359,522
Utilities deposits	6	174,850	-
Short Term Investments	7	113,196,562	-
<b>Total Assets</b>		<b>252,879,494</b>	<b>119,376,597</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and Reserves	8	13,239,030	1,500,000
Revenue Reserves	9	233,482,010	117,477,449
<b>TOTAL EQUITY</b>		<b>246,721,040</b>	<b>118,977,449</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	10	5,983,604	399,148
Utilities deposits		174,850	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>252,879,494</b>	<b>119,376,597</b>

  
 COL. (RTD) J.N. NGURU, EBS  
CHAIRMAN

  
 NANCY W. KARIGITHU  
DIRECTOR GENERAL

DATE... 23 Jan 2008

DATE... 23/1/2008.....



KENYA MARITIME AUTHORITY

**ANNUAL INCOME AND EXPENDITURE STATEMENT FOR THE PERIOD 1<sup>ST</sup> JULY 2006 TO 30<sup>TH</sup> JUNE 2007**

	NOTES	2006/07	2005/06
<b>current income</b>		Ksh.	Ksh.
M.S.S Levy & Other Income	11	94,000,006	85,289,266
Government Grants	12	120,000,000	126,844,688
<b>Total Income</b>		<b>214,000,006</b>	<b>212,133,954</b>
<b>Recurrent Expenditure</b>			
Staff Expenditure	13	35,706,535	35,251,961
Board of Directors Expenditure	14	11,941,443	19,525,714
Establishment Expenditure	15	9,184,368	7,125,359
General Office Expenditure	16	5,366,728	9,104,911
Administration Expenditure	17	30,405,117	22,083,645
Depreciation		3,946,826	1,564,915
<b>Total Expenditure</b>		<b><u>96,551,017</u></b>	<b><u>94,656,505</u></b>
Surplus		<u>117,448,989</u>	<u>117,477,449.</u>

Note

The comparative figures under Staff Expenditure, Establishment Expenditure, Administration Expenditure and General Office Expenditure do not match the year 2005/06 expenditure groupings. This is due to the adoption of I.A.S 1 in presentation of the accounts.



KENYA MARITIME AUTHORITY

STATEMENT OF CHANGES IN EQUITY

	Capital Fund Ksh.	General Reserves Ksh.	Surplus Ksh.	Totals Ksh.
Balance as at 01.07. 06	1,500,000	117,477,449	-	118,977,449
Additions	11,739,030	-	-	11,739,030
Rent arrears	-	(1,559,550)	-	(1,559,550)
Reduction in Creditors	-	115,122	-	115,122
Surplus	-	-	117,448,989	117,448,989
Balance as at 30.06. 07	<u>13,239,030</u>	<u>116,033,021</u>	<u>117,448,989</u>	<u>246,721,040</u>



KENYA MARITIME AUTHORITY

**CASHFLOW STATEMENT FOR THE YEAR ENDED  
30 JUNE 2007**

Details	2006/2007 Ksh.	2005/2006 Ksh.
<b>Cash flows from Operating Activities</b>		
Operating Surplus	117,448,989	117,477,449
Depreciation	3,946,826	1,564,915
<b>Net cash generated from operating activities</b>	<b>121,395,815</b>	<b>119,042,364</b>
<b>Working capital changes</b>		
Increase/(Decrease) in Debtors	33,999,855	(45,287,930)
Increase/ (Decrease) In Creditors	4,140,028	399,148
<b>Cash flows from Investing Activities</b>		
<b>Investing Activities</b>		
Fixed Assets	(1,079,559)	(9,794,060)
Treasury Bills & Fixed Deposit Reserves	(113,196,562)	-
Net Cash Generated from (used) in Investing Activities	(114,276,121)	-
<b>Net increase/ (decrease) in cash and cash equivalent</b>	<b>45,259,577</b>	<b>(9,794,060)</b>
Cash & Cash Equivalent as at 01.07.2006	64,359,522	-
<b>Total</b>	<b>109,619,099</b>	<b>-</b>
Cash & Cash Equivalent as at 30.06.2007	<u>109,619,099</u>	<u>64,359,522</u>



## KENYA MARITIME AUTHORITY

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2007

#### I. ACCOUNTING POLICIES

Principal Accounting policies adopted in the preparation of financial statements are set out below:

i. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Authority adopts the historical cost basis of accounting.

ii. Debtors Policy

The Authority's debtor's policy is to provide for 5% on debtors falling due for a period of five years or more. A provision for bad debts of 5% has been made on debtors.

iii. Capitalization Policy

The Authority's capitalization policy is to capitalize any improvement in existing asset and any donations of a capital nature such as Computers and I.T Equipments. Furniture and Fittings in value of Ksh. 100,000.

iv. Income Recognition

Kenya Ports Authority collects the MSS levy on our behalf  
Government grants have been recognized as income as per the requirements of IAS 20 sub-section 15. (Income approach)

v. Expenditure

Expenditure is on accrual basis. These are recognized when incurred and not when actual payments are made.



**KENYA MARITIME AUTHORITY**

vi. Depreciation Policy

Fixed Assets are stated at cost or valuation less accumulated depreciation. Depreciation is calculated on a reducing balance method.

The annual depreciation rates are as stated below:

- i. Motor Vehicles 20%
- ii. Computers & I.T Equipments 33.3%
- iii. Furniture & Equipments 12.5%

2. Property, Plant and Equipments Ksh. 17,234,178

**FIXED ASSETS MOVEMENT SCHEDULE AS AT 30<sup>TH</sup> JUNE 2007**

Assets	Motor Vehicles	Computers & I.T Equipments	Furniture & Equipments.	Total
Cost or Valuation	Ksh.	Ksh.	Ksh.	Ksh.
Balance as at 01-07-06	7,615,020	569,658	1,544,467	9,729,145
Additions	-	-	1,079,559	1,079,559
Donations	-	2,930,700	7,441,600	10,372,300
<b>Balance as at 30-06-07</b>	<b>7,615,020</b>	<b>3,500,358</b>	<b>10,065,626</b>	<b>21,181,004</b>
<b>DEPRECIATION</b>				
Balance as at 01.07.2006	1,278,580	284,402	1,933	1,564,915
Charge for the Year	1,523,004	1,165,619	1,258,203	3,946,826
<b>Balance as at 30.06.2007</b>	<b>2,801,584</b>	<b>1,450,021</b>	<b>1,260,136</b>	<b>5,511,741</b>
<b>N.B.V</b>				
As at 01.07.2006	7,615,020	569,658	1,544,467	9,729,145
<b>As at 30.06.2007</b>	<b><u>6,092,016</u></b>	<b><u>2,334,739</u></b>	<b><u>8,807,423</u></b>	<b><u>17,234,178</u></b>



KENYA MARITIME AUTHORITY

3. Inventories Ksh. 1,366,730

	2006/07 Ksh.	2005/06 Ksh.
General Stock	303,051	-
Publications & Library books	1,063,679	-
	1,366,730	--

4. Trade and Other Receivables Ksh. 11,288,075

	2006/07 Ksh.	2005/06 Ksh.
Trade Income -M.S.S. Levy fees	7,041,325	45,287,930
Others -boat survey fees	326,750	-
-Shipping agents	2,170,000	-
-Interest receivable	1,750,000	-
	11,288,075	45,287,930

5. Bank and Cash Balances Ksh. 109,619,099

Bank & Branch	Account Type	Account No.	Balance as at 30.6.07 Ksh	Balance as at 30.6.06 Ksh
K. C. B Kilindini	Current	081252970090	37,273,404	64,359,522
K.C.B. Kilindini	Savings	081152234934	70,733,764	-
N.B.K. Portways House	Current	0200357729100	1,611,931	-
			109,619,099	64,359,522



KENYA MARITIME AUTHORITY
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6. Utilities Deposits Ksh. 174,850

	2006/07 Ksh	2005/06 Ksh
Electricity	100,000	-
Telephone	71,300	-
Water	<u>3,550</u>	<u>-</u>
	174,850	--

7. Short Term Investments Ksh. 113,196,562

	Maturity date	2006/07 Ksh	2005/06 Ksh
Treasury Bills (K.C.B)	28.5.07	63,196,562	-
Fixed Deposit Reserve (A/c No. 081-605-231-752)	20.11.07	<u>50,000,000</u>	<u>-</u>
		113,196,562	--

8. Capital and Reserves Ksh. 13,239,030

	2006/07 Ksh	2005/06 Ksh
Fixtures, fittings & Equipments	8,941,600	1,500,000
Computers & I.T Equipments	2,930,700	-
General Stock	303,051	-
Publications & Lib. Books	<u>1,063,679</u>	<u>-</u>
	13,239,030	1,500,000



KENYA MARITIME AUTHORITY

9. Revenue Reserves Ksh. 233,482,010

	2006/07 Ksh	2005/06 ksh
Reserves b/f	117,477,449	117,477,449
Creditors Rebate	115,122	-
Rent Arrears	(1,559,550)	-
Surplus for the year	<u>117,448,989</u>	<u>-</u>
	233,482,010	117,477,449

10. Trade and Other Payables Ksh. 5,983,604

	2006/07 Ksh.	2005/06 Ksh.
Accrued Trade expenditure	1,575,276	316,202
Accrued Staff Expenditure (Salaries Arrears)	3,976,300	-
Accrued other staff allowances	75,267	-
Accrued Board expenditure	82,946	82,946
Accrued Pension expenditure	<u>273,815</u>	<u>-</u>
	5,983,604	399,148

11. Merchant Shipping Superintendent (M.S.S) Levy  
and other income Ksh. 94,000,006

	2006/07 Ksh.	2005/06 Ksh.
Trade Income -M.S.S Levy Income	81,224,578	85,289,266
Other Income -Boat Survey fees	2,337,129	-
-Shipping agents fees	4,193,598	-
-Miscellaneous Income	2,485,757	-
-Interest income	<u>3,758,944</u>	<u>-</u>
	94,000,006	85,289,266

12. Government Grants Ksh. 120,000,000

	2006/07 Ksh.	2005/06 Ksh.
Grants	120,000,000	126,844,688



KENYA MARITIME AUTHORITY

13. Staff Expenditure Ksh. 35, 706.535

	2006/07 Ksh	2005/06 Ksh
Basic Salaries	28,935,183	26,580,389
House Allowances	5,579,859	4,231,012
Other Allowances	1,168,346	1,687,639
Leave Allowances	23,147	297,989
Commuter Allowances	-	1,572,491
Overtime Allowances	-	882,441
Total	<u>35,706,535</u>	<u>35,251,961</u>

14. Board of Directors Expenditure Ksh. 11,941,443

	2006/2007 Ksh.	2005/2006 Ksh.
Board of Directors allowances	11,281,443	18,552,597
Chairman's Honoraria	<u>660,000</u>	<u>973,117</u>
Total	11,941,443	19,525,714



KENYA MARITIME AUTHORITY

15. Establishment Expenditure Ksh.9,184,368

	2006/07	2005/06
	Ksh	Ksh
Staff Training	5,177,216	2,684,896
Induction & Orientation	165,213	-
Pension Expenditure	1,996,787	1,925,722
Recruitment	1,845,152	2,514,741
Total	<u>9,184,368</u>	<u>7,125,359</u>

16. General Office Expenditure Ksh. 5,366,728

	2006/07	2005/06
	Ksh	Ksh
Office Incidentals	984,452	501,121
Uniform & Clothing	1,624	-
Office carpet & Curtain	59,808	-
Water	-	281,716
Renovation	-	1,550,312
Entertainments	267,984	354,530
Stores (Consumables)	116,731	999,953
Printing & Stationary	1,589,400	3,990,506
Communication costs	1,919,428	734,185
Electricity	427,301	692,588
Total	<u>5,366,728</u>	<u>9,104,911</u>