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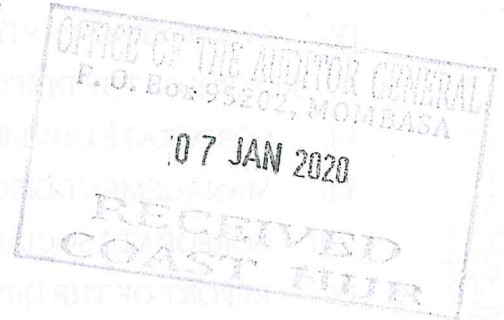
S. Kalawa

THE AUDITOR-GENERAL

ON

KENYA MARITIME AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2019**



KENYA MARITIME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background Information

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

(b) Principal Activities

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

Key objectives

The following are the key objectives of KMA:-

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	DESIGNATION	PERIOD	NAME
1	Ag. Director General	9 th March 2018 to 12 th October 2018	Mr. George N. Macgoye, EBS, OGW
2	Director General	Appointed 12 th October 2018	Maj. (Rtd) George N. Okong'o
3	Ag. Head of Maritime Safety	Exited February 2019	Mr. Dave Muli
4	Corporation Secretary & Head of Legal Services		Ms. Jane F. Otieno
5	Head of Commercial Shipping		Mr. John Omingo
6.	Head of Corporate Support Services		Mr. Cosmas Cherop

(e) Fiduciary Oversight Arrangements

Finance and Human Resource Committee

The committee's activities include;

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

Technical and Operations Committee

The committee's activities include;

- a) Setting targets and negotiating on performance contracts;
- b) Reviewing and reporting on performance contract obligations to the Board;
- c) Ensuring that KMA's maritime safety and security obligations are effectively discharged;



Mr. Hezbourne Mackobongo
Alternate Director to the Cabinet Secretary National Treasury

Mr Hezbourne MackObongo is an Alternate member of the Board of Directors in Kenya Maritime Authority representing the Cabinet Secretary, National Treasury and Planning – Henry K. Rotich, EGH.

Born in 1969, Mr. MackObongo has experience working both in the Public and Private Sector. He has a good understanding of budgeting and financial management procedures, particularly, the Government of Kenya, procedures and development partners' procedures. He currently works at the National Treasury and was appointed as an alternate to the Cabinet Secretary of Treasury and National Planning.



Mr. Charles Mutinda
Alternate Director to the Attorney General

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

Head Civil Litigation Department and Head of Petitions Section. Mr. Mutinda is currently at the Office of the Attorney General & Department of Justice as a Deputy Chief Litigation Counsel.

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



Eng. Charles Kombe Charo
Director

Eng. Charles Kombe Charo is an Independent member of the Board of Directors of Kenya Maritime Authority. He is also the Chairperson of the Technical Operations Committee.

Born in 1956, Eng. Charo has a wide experience in Management development with an Advanced Management certification from Strathmore University.



Rev. Joseph Kariuki Gatimu
Director

Rev. Joseph Kariuki Gatimu is an independent member of the Board of Directors of Kenya Maritime Authority. He is the Chairman of the Finance and Human Resources Committee.

Born in 1956, Rev. Gatimu is an experienced Central Banker and Commercial banker, with hands-on experience in managing Operations, Internal Audit, Accounting and Finance, Procurement and Human Resources. In addition, Gatimu has over ten(10) years' experience in teaching, management related subjects in both Private and Public Universities in Mombasa and is also a seasoned mentor.



Mr. John Gerin Msafari
FICS, CRG (Gambia)

Mr. John Msafari is an independent member of the Board of Directors of Kenya Maritime Authority. He is the Chairman of the Audit and Risk Assurance Committee.

Born in 1950, Mr. Msafari is a qualified business administrator with a wide experience in both private and public sector for over 35 years. He is a professional in International Trade, Shipping and Customs and a Consultant on Revenue Administration. He has worked in executive positions both in the public and private sectors.

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

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



Salaah S. Balala
Director

Mr. Salaah S. Balala is an independent member of the Board of Directors of Kenya Maritime Authority.

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

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

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



Ms. Roselyn V. Amadi
Director

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

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

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

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



**Major (Rtd) George
Nyamoko Okong'o**
Director General

Maj. (Rtd) George N. Okong'o holds a Bsc in Applied Mathematics, Kenyatta University (KU) and a graduate in Explosives Ordinance Engineering (EOE) from Defence Munitions, Explosives and Research School Kineton, United Kingdom and IDF School of Military Diplomacy, Israel.

Born on 13th September 1970 Maj. (Rtd) George N. Okong'o has a wealth of experience of 24 years in the Maritime domain, 20 of which he served at the Kenya Navy.

He held various command and staff appointments in his naval career; among them being the Head of Naval Liaison Office at Defence Headquarters in Nairobi. Prior to his retirement from

the Navy, he was the Kenya Navy Dockyard Superintendent in charge of level 3 maintenance of Kenya Navy Vessels and ashore based equipment. He also served as the Government of Kenya RSO Representative under the International Ship and Port Security Facility (ISPS) Code for a period of four years. Internationally, he served as a Military Observer in the United Nation Mission in Côte d'Ivoire and the African Union Mission in Somalia (AMISOM).

Maj. (Rtd) George N. Okong'o was appointed by the Cabinet Secretary Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works Board as the Director General KMA on 12th October 2018.



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

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

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

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

for Oaths.

III. MANAGEMENT TEAM



**Major (Rtd) George Nyamoko
Okongó**
Director General

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



Capt. Mbarak M. Zaunga
Ag. Head of Maritime Safety

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



Mr. John Omingo
Head of Commercial Shipping

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



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

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



Mr. Cosmas Cherop
Head of Corporate
Support Services

In charge of all the support service. This include, Finance and accounting, Human resource, ICT and Administration functions.

IV. CHAIRPERSON'S STATEMENT

I take this pleasure in presenting to you the Annual Financial Report for the financial year 2018/2019 prepared pursuant to the Public Finance Management Act, 2012 and the Kenya Maritime Authority Act, 2006 in line with Public Sector Accounting standards. The report reflects the Authority's performance during the period under review and is in line with the functions and objectives as stipulated in the Kenya Maritime Authority Act and the KMA Strategic Plan. The Authority is indeed committed to making Kenya Maritime Authority the leading maritime administration, transforming Kenya into a Maritime nation by fulfilment of the Authority's mandate and enhancing its contribution to the Big Four Agenda and Vision 2030.

To ensure sustainable, safe, secure, clean and efficient water transport for the benefit of all our stakeholders, the Authority is committed to frequent engagement with our stakeholders at all levels to ensure compliance with established laws. In the financial year 2018/2019, some of the Authority's notable accomplishments include:

1. Compliance with the Port State Control obligations that saw 48% of expected eligible ships visiting the port of Mombasa, inspected, thus realizing 18% above the set targets;
2. Enhanced flag state implementation which saw the Amendments to the Kenya Maritime Authority Act, 2006 and the Merchant Shipping Act, 2009 drafted, and included Regulations identified in the 2018 IMO IMSAS Audit report. The Authority also initiated drafting of Agreements with recognized organizations in line with the Recognized Organizations Code;
3. Undertaking of Security of Ships and Port Facilities audits (ISPS Audits), quarterly security audits and organization of a workshop on ISPS Code through technical assistance from the US Coast Guard Service;
4. Completion of the review of the Strategic Plan which was aligned to Medium Term Plan III, the Big Four Agenda and Vision 2030, which currently await necessary approvals;
5. Implementation of the Mombasa Port Community Charter through quarterly steering committee sessions and holding of mid-year meetings;
6. Reviewing of the Port Charter and publishing of the new Port Charter for implementation;
7. Developing and publishing of Search and Rescue (SAR) plans and conducting of two (2) search and rescue exercises.

Challenges

Notable sampled challenges experienced by the Authority in terms of realizing its planned activities include, delay of the Multinational Lake Victoria Maritime Communications project which arose from complexities associated with regional coordination and which had an effect on the progress of the project. Additionally, issues of quorum saw the quarterly courses on Global Maritime Distress Safety System (GMDSS) General Operators Certificate fail to proceed.

Future Outlook

The Authority foresees an improved industry arising from our continued strategies towards enhancement of the capacity to deliver its mandate on safety and security of shipping in clean waters, an aspect that will play a pivotal role in facilitating economic activities in the blue economy. The Authority continues to enhance measures that will ensure that only sustainable utilisation of the blue economy is permitted. The Authority still advances the expansion of human capacity framework in close collaboration with various Government Entities with the objective of ensuring sufficient competent human capacity is available to partake the various economic opportunities arising from the country's revamped blue economy initiatives.



CHAIRMAN

BOARD OF DIRECTORS

KENYA MARITIME AUTHORITY

V. REPORT OF THE DIRECTOR GENERAL

Introduction

The Kenya Maritime Authority Annual Report and Financial Statements for 2018/2019 financial year has been prepared pursuant to the Public Finance Management Act and in line with International Public Sector Accounting Standards.

As the regulator of the country's maritime affairs, the Authority is committed to leading the transformation of Kenya into a globally competitive nation. We take cognizance of Kenya's Big Four Agenda, which is aimed at accelerating economic growth in manufacturing, food security and nutrition, and providing universal health coverage and affordable housing. The Big Four are pegged on the Kenya Vision 2030 and well-mainstreamed in the third-Medium Term Plan (2018-2022) of the Vision. Within the initiatives is the maritime industry, which has been identified as a key driver and enabler of the Big Four Agenda. The Authority has important role to drive the maritime agenda in line with the "2050 Africa's Integrated Maritime Strategy (2050 AIM Strategy)", the focus of which is on driving an overarching, concerted and coherent plans to enhance maritime viability for a prosperous country and region at large in tandem with the International treaties and conventions that we have acceded to.

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

Operational Performance

1. Construction of KMA Headquarters

The Authority is constructing its Headquarters in Mombasa Island in line with KMA act 2006. On completion the premise will strengthen the Authority's physical capacity and enable it to deliver on its mandate. The construction commenced on 3rd April 2017 with a projected completion date of 23rd December 2018. Completion is in its 112th week with a revised projected completion date of 8th December 2019. The overall approximate completion as at 30th June 2019 was 78% of the revised agreed period for the construction. The delay was occasioned by piling works that was undertaken to stabilize the foundation. The contractor is expected to complete by the new revised date having dealt with challenges experienced at the inception of the project.

2. Safety of Life at Sea

Under SOLAS, the Authority aims at enhancing safety of life at sea and raising safety compliance levels from operations of small vessels. The Authority conducted enhanced safety compliance campaigns in Lamu, Homabay, Kisumu and Shimoni County. The enhanced safety compliance campaigns resulted in increased number of boat inspection requests from Lamu, Kisumu, Homabay and Kisumu.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

The Port State Control regime contracted to increase ship Inspection by 30% of all Convention and Non-Convention ships calling into the Port of Mombasa to three hundred and sixty (360) ships out of one thousand two hundred (1200) ship calls.

In the financial year 2018/2019 the PSCO managed to inspect the ships as follows;

	Type ships	No. of ships inspected
1	Container Ships	85
2	Bulk Carriers	136
3	Oil/ Gas/ Chemical Carriers	57
4	Ro-Ro/ Car Carriers	47
5	General Cargo	28
6	Others	74
	TOTAL	427

Total number of deficiencies found: **697**

Detainable deficiencies: **24**

Number of ships detained in the period: **6**

The Authority contracted to improve compliance by 10%, that is, inspect vessels and raise the compliance by more than 1,700 small vessels/boats. A total of 565 small vessels were inspected in this financial year. Out of them, 405 small vessels (approx. 72%), complied and were issued with the Local Safety Certificate and License by the Authority.

3. Human Resource Capacity Building in the Maritime Sector

3-1 Implementation of Maritime Transport Logistics Curriculum

The curriculum for Maritime Transport Logistics was finalized and is now available for Training Institutions across the country. For effective implementation, the Authority in collaboration with Kenya Institute of Curriculum Development (KICD) further developed instructor guides and trainee manuals that provide detailed objectives, contents, training activities and methods of trainee evaluation. The guides and manuals avail basic contents especially for Training Institutions with inadequate

V. REPORT OF THE DIRECTOR GENERAL (Continued)

resource materials. Eleven institutions expressed interest to take up the programs out of which four have met the full requirements.

3-2 Oversight on Seafarer's Training

In order to ensure supply of properly qualified and certificated Kenyan Seafarers to the local and global maritime industry, in the FY 2018/2019 the Authority contracted to support the training and certification of seafarers.

During the period, Kenya initiated recognition agreement as per STCW reg. I/10 with Denmark, Marshall Islands, India, South Africa, Liberia, Tanzania, and Singapore. Also, a partnership agreement with shipping lines for training of seafarers was initiated.

Based on request by Bandari College to reduce the duration for offering Basic Safety training for seafarers from 20 days to 10 days, an audit was conducted and approval granted on the same. Another quality assurance audit was carried out at Indian Ocean Maritime Training Centre. Similarly, approval was given to one instructor from Indian Ocean Maritime Training Centre following an application requesting approval for the instructor to train Basis Safety for seafarers.

In the period 2018/2019 approximately 1,182 Certificates of Basic Safety Training (BST) for Seafarers issued were issued as indicated below:

S/N	Name of Certificate	Number
1	Fire Prevention and Fire Fighting (FPFF)	223
2	Elementary First Aid (EFA)	141
3	Personal Safety and Social Responsibility (PSSR)	249
4	Personal Survival Techniques (PST)	224
5	Combined BST	78
6	Security Awareness training for Seafarers Certificates	267
	Total BST (FY 18/19)	1182

- Ratings Certificate of Proficiency for seafarers issued were
 - Deck 15
 - Engine 16
- Certificates of Proficiency for Coxswains issued were 57
- Certificates of Competency for seafarers issued were 17

V. REPORT OF THE DIRECTOR GENERAL (Continued)

4. Implementation of Recommendations from the Research on KMA's role in Revamping Commercial activities in Lakes Turkana and Victoria

The Authority undertook a study in Lakes Victoria and Turkana and established that the full economic potential of the lakes could be unlocked if the diverse and wide ranging initiatives among the various agencies and stakeholders were well coordinated.

In order to attract investments in the lakes it was found out that access roads to beaches and landing sites, ramps, jetties and other essential port facilities must be renovated and fully developed. Safety and security would be enhanced by identification and marking of safe navigational routes, navigation guides and installation of other navigational aids. It was also found important that sustainability of the lake eco-systems is given due consideration in regard to handling of solid waste, pollution, climatic change, sustainable use of resources and infestation of Hyacinth weed.

Towards implementing the outcome of the study, the Authority initiated an engagement framework with the Western Region Economic Block Counties to jointly develop the modalities for dealing with the issues raised in a holistic and integrated manner.

5. Expansion of Search and Rescue (SAR) Infrastructure

This is aimed at identifying all Search and Rescue assets available among Government Agencies, BMUs and the local community, and organize how they can be best harnessed during SAR operations and how to improve preparedness and response capability for maritime incidents. The Authority organized and conducted Search & Rescue Exercises (SAREX) in Kilifi and Migori County.

The Authority also conducted Search & Rescue On-Scene Training in Siaya County with the objective of empowering immediate stakeholders, individuals and groups within the maritime community with skills that enable them to effectively execute roles as on-scene commanders, in the event of SAR operations. This renders the SAR response well-coordinated: resulting in better response timelines and effective deployment of resources.

The Authority participated in the review and finalization of the National Aeronautical Search and Rescue Standard Operating Procedures (SOPs) involving the implementation of a national framework to direct and unify the actions of all responding agencies during Civil Aviation/ Maritime emergencies in November, 2018. The key outcome is a revised SOP, which enumerates several areas of cooperation/joint operation with Civil Aviation Authorities in tandem with the IAMSAR Manual. The Authority's scope of response capability is thus enhanced to the extent of resources availed via this SOP.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

With regard to regional roles bestowed through the RMRCC, a major regional SAR event, jointly facilitated by IMO, IMRF and KMA was hosted at the Mombasa Beach Hotel and attended by all East Africa SAR partner states of Seychelles, Somalia, Tanzania and Uganda in July, 2018. The uniqueness of this event was the active participation by representatives from the Federal Government of Somalia and Uganda for the first time. The event brought the Federal Government of Somalia onboard the East Africa Regional SAR Agreement, following official concurrence to accession. Participation by Uganda created a window for replication of the regional initiatives in the Lake Victoria Basin.

6. International Ship and Port Facility Security Audits

Through the Recognized Security Organization (RSO), Port Facility Security Assessments (PFSA) of Comarco, African Marine and General Company (AMGECO) and Southern Engineering Company (SECO) were conducted from 11-15th March 2019. The PFSA report was submitted to the Authority who shared it with the respective Port facilities.

The Authority facilitated a Technical Assistance visit by the United States Coast Guard (USCG) from 18th-21st March 2019. This was a preparatory visit ahead of the biennial ISPS audit carried out on Kenyan Port facilities by the USCG that was previously scheduled for May 2019 and later rescheduled to August 2019.

The Authority participated in meetings and activities carried out by the Mombasa Border Management Secretariat (BMS) and the Border Control and Operations Co-ordination Committee (BCOCC). This included a Pre-Deployment Site Survey (PDSS) tour by the BMS and the US Customs and Border Patrol at the Coast, Lake Victoria and Lake Turkana maritime border points as well as a sites survey of the potential Points of Entry/Exit in western Kenya.

The Authority reached out to the IMO and succeeded in securing Technical Assistance trainings on ISPS code implementation. The trainings are scheduled for August, September and December 2019.

7. Prevention of Ship-source Marine Pollution

The Authority organized a technical committee meeting to review the draft inception report and phase I report for the development of a hydrocarbon escape preparedness and response framework for offshore and onshore petroleum activities. The final deliverables of this exercise would be to develop manuals for oil spill response management and an updated National Oil Spill Response Contingency Plan.

The Authority organized and held an Oil Spill Response workshops and drill exercises in Lamu County and Mombasa County to enhance county awareness on pollution response and promote effective response to marine pollution incidents.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

The Authority continued to provide leadership as the team leader for the pilot project on fuel consumption data and emission data reporting from shipping industry under the Maritime Technology Cooperation Centre for the African Region (MTCC-Africa).

The Authority drafted regulations for prevention of pollution from ships transposing the requirements of international convention such as International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), Oil Pollution Response Cooperation Convention (OPRC 90), Ballast Water Management Convention, Liability and Compensation Convention from Pollution Damage into our national regulations.

The Authority organized and participated in mangrove tree planting exercise at Port Reitz Creek, Mombasa. The activity was in line with the Presidential directive and the Big Four Agenda. Approximately 3,000 seedlings were planted during the exercise.

8. World Bank funded Capacity Building on KMA's oversight on Maritime Transport Services

Logistics performance both in International and Domestic trade is central to the economic growth and competitiveness of a country. For the purpose of improving logistics and transport services at the port of Mombasa, the Government of Kenya secured funding from the International Development Association under the Kenya Transport Sector Support Project to undertake among other tasks, strengthening of KMA's oversight capacity on maritime transport services.

The project covered among other deliverables, the review of legislation and establishment of standards for maritime transport services in the country, and development of a monitoring and evaluation framework for maritime transport service providers.

The study was completed and part of the outcome used in the development of the monitoring and evaluation framework partly captured in the Mombasa Port Community and Northern Corridor Charter under implementation.

9. Trade Facilitation Measures

The Authority sustained its role in trade facilitation, comprising of four multiagency trade facilitation awareness workshops across the country, participating in and offering secretariat services to weekly the Mombasa Port Community Charter meetings and arbitrating on a number of transport service disputes.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

10. Implementation of the SOLAS Amendments on mandatory container weighing

Under the International Convention for the Safety of Life at Sea (SOLAS) Chapter VI, Part A, regulation 2, it was made mandatory as from 1st July 2016 that no packed containers would be loaded on a ship without verification and provision of its gross mass weight. The shipper is required to provide the actual weight of the container in the shipping documents.

This information is provided to the master or the master's representative sufficiently in advance of loading to enable precautions to be taken which may be necessary for the proper stowage and safe carriage of the cargo. Failure to provide the verified gross mass may lead to refusal to load a container onto a ship. The Authority issued a notice to this effect and invited shippers and third party service providers offering the services to submit their details for consolidation and publication. The implementation has been sustained to ensure full compliance with the requirement.

11. Memorandum of Cooperation (MOC) and Industry Standards

The Authority led the process of developing a Memorandum of Cooperation (MOC), which is an agreement among Port Community Service providers on the duration each party would take to process cargo clearance in Kenya National Electronic Single Window System (KNESWS) platform. The time-stamps data from the system by each agency would constitute the needed monitoring and evaluation framework efficiency of cargo clearance. Realization of the function awaits full implementation of KENTRADE's cargo declaration module to generate the needed data on time-stamps.

12. IMO Member State Audit Scheme (IMSAS)

Following the IMSAS Audit for Kenya held on 5th to 10th May, 2018, the Interim report from the IMO Member State Audit Department was received by the Authority on 11th September, 2018. The Authority undertook to develop a corrective action plan which include identifying "root cause" for all the 16 findings and two observations. An Inter-Agency Technical Committee meeting was convened from 22nd to 26th October 2018 to discuss the Audit report and review the proposed CAP. The draft Corrective Action Plan was submitted to the Audit Team Leader (ATL) and the IMO Member State

Audit was conducted on 10th December, 2018 as scheduled. The IMSAS Audit process requires that the CAP be reviewed by the ATL before being forwarded to the IMO Members State Audit Department. The ATL forwarded the CAP for Kenya to the IMO MSA department on 26th February, 2019.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

The final IMSAS Audit report was submitted to the Authority on 24th June, 2019 when the CAP was approved by the IMO MSA department and signed by the Director General. The Authority has commenced the CAP implementation programme by drafting a reviewed IMSAS Strategy to close Observation 1. The technical team has drafted six marine pollution prevention regulations to close finding 3. Progress is also being made in closure of finding 5 through the drafting of Recognized Organization regulations. A work plan for the year 2019-2020 for the closure of the short term findings has been drawn and is being implemented by the IMSAS technical team. The Assistant Secretary-General and Director of the Department for Member State Audit expressed appreciation of the cooperation and professionalism demonstrated during the Audit IMO and reiterates IMO support during the three year implementation period for the IMSAS Audit for Kenya.

In the year under review the Authority collected a total of Kshs 1.52Billion compared to financial year 2017/2018 total revenue of Kshs 1.59Billion being a decrease of 4%. Total recurrent expenditure reduced from Kshs 908Million (FY2017/2018) to Kshs 790Million representing a 13% decrease.

The Authority's Total assets decreased by 2.7% from Kshs 2.998Billion in FY2017/2018 to Kshs 2.917Billion. Non-current assets increased from the previous year's Kshs 1.3Billion to Kshs 1.8Billion in the FY2018/2019 representing a 39% growth while the current assets reduced from Kshs 1.7Billion in FY2017/2018 to Kshs 1.1Billion representing a 34.5% decline.

The Authority's current liabilities decreased by 64.8% from Kshs 986million in the previous year to Kshs 346million in FY2018/2019. The marked decrease is due to payment of Kshs 662Million being 90% surplus to National Treasury. Further, Net Assets increased by Kshs 562Million representing a 28.5% growth.



Maj (Rtd) George N. Okong'o

DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

In accordance with the Board Manual and Code of best practices, the Authority 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 Authority while recognizing that the Authority acts as an exemplary good corporate citizen.

Role and Function of the Board of Directors

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

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

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

Performance Evaluation and Governance Audit

The Board conducts an annual self – evaluation process to measure its own performance, to ensure that it is constantly adhering to the objectives and mandate of the Authority. The last Board evaluation was last conducted by S.C.A.C on the 27th of May, 2016. Since the Board is now fully constituted, an evaluation will be organised to be conducted. The Director General is accountable to the Board for the management of the Authority as prescribed in the Act and more specifically in the Board manual and code of best practice. The Board monitors the performance of the Authority's senior Management by reviewing the financial performance on a quarterly, half-yearly and annual basis. The Performance contract and the strategic plan are key documents towards fulfilling these principles and are anchored in the Kenya Maritime Authority Act, the Merchant Shipping Act and appurtenant regulations, Treaties and Conventions which Kenya has acceded to, and other applicable among several other legislations in Kenya that the Authority is subservient to. The Authority has organised for a Governance Audit to be carried out in the financial year 2019/2020.

Conflict of Interest

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

Corruption Prevention

There is a Corruption Prevention Policy in place that reiterates the Anti- Corruption and Economic Crimes Act, 2003, Public Officer Act, 2003 and the Leadership and Integrity Act, 2012 with regards to issues of conflict of interest. The Authority has in place two separate Conflict of Interest Registers- one for the Board and the other for members of staff.

VI. CORPORATE GOVERNANCE STATEMENT (Continued)

Board Structure

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

Appointment and Removal of the members of the Board

The Chairman is appointed by the President whereas the members of the Board are appointed by the Cabinet Secretary of the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works for a duration of three years, renewable for a further three year term. 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 Kenya Maritime Authority Act provides that Board may vacate office through written resignation to the Cabinet Secretary. There are specified circumstances under which Board may be removed from Office and includes, absence from three consecutive meetings of the Board without permission from the Chairperson, where a member is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors, or where a member is convicted of an offence involving dishonesty or fraud is convicted of a criminal offence.

Board Induction

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

Board Remuneration

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

Board Meetings

The Board discharges its responsibilities through the Technical and Operations Committee, Finance and Human Resource Committee, the Governance and Integrity Committee and the Audit and Risk Assurance Committee. In the Financial Year 2018/2019 the Board held the following meetings:

VI. CORPORATE GOVERNANCE STATEMENT (Continued)

a) Full Board Meetings

During the period under review a total of Five (5) meetings were held. The attendance to the meetings from the date of appointment of the members are as summarised below;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Geoffrey N. Mwango	Chairman	4	3	75%
2.	Ms. Malika A. Omar	Director	5	5	100%
3.	Mr. Francis M. Muraya	Alternate Director	5	4	80%
4.	Mr. Hezbourne Obongo	Alternate Director	5	2	40%
5.	Mr. Charles M. Mutinda	Alternate Director	5	5	100%
6.	Eng. Charles K. Charo	Director	4	4	100%
7.	Rev. Joseph K. Gatimu	Director	4	4	100%
8.	Mr. John G. Msafari	Director	4	4	100%
9.	Mr. Salaah S. Balala	Director	4	4	100%
10.	Ms. Roselyn V. Amadi	Director	4	4	100%
11.	Mrs. Nancy Karigithu	PS	5	1	20%
12.	Ms. Agnes Ndwiga	Director	5	1	20%

b) Special Board Meetings

A total of 18 special board meetings were held during the period under review and the attendance of the members from the date of appointment were as summarised below;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Geoffrey N. Mwango	Chairman	6	4	67%
2.	Ms. Malika A. Omar	Director	18	18	100%
3.	Mr. Francis M. Muraya	Alternate Director	18	15	83%
4.	Mr. Hezbourne Obongo	Alternate Director	18	15	83%
5.	Mr. Charles M. Mutinda	Alternate Director	18	15	83%
6.	Eng. Charles K. Charo	Director	6	6	100%
7.	Rev. Joseph K. Gatimu	Director	6	6	100%
8.	Mr. John G. Msafari	Director	6	6	100%
9.	Mr. Salaah S. Balala	Director	6	6	100%
10.	Ms. Roselyn V. Amadi	Director	6	6	100%
11.	Mrs. Nancy Karigithu	PS	18	11	61%
12.	Ms. Agnes Ndwiga	Director	18	12	66%

c) Finance and Human Resource Committee Meetings

During the period under review the FHRC held a total of Nine (9) 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
13.	Rev. Joseph K. Gatimu	Chair	8	7	87%
14.	Ms. Malika Ali Omar	Member	9	9	100%
15.	Eng. Charles K. Charo	Member	8	7	87%
16.	Mr. Charles M. Mutinda	Member	9	8	88%
17.	Mr. Hezbourne Mackobongo	Member	9	4	44%
18.	Mr. Francis Muraya	Member	9	8	88%

VI. CORPORATE GOVERNANCE STATEMENT (Continued)

d) Technical And Operations Committee Meetings

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

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Eng. Charles Kombe Charo	Chair	3	3	100%
2.	Mr. Salaah S. Balala	Member	3	2	67%
3.	Ms. Roselyn V. Amadi	Member	3	3	100%
4.	Mr. John G. Msafari	Member	3	2	67%
5.	Mr. Francis Muraya	Member	5	3	60%
6.	Mr. Hezbourne Mackobongo	Member	5	2	40%
7.	Mr. Charles M. Mutinda	Member	5	3	60%

e) Governance and Integrity Committee Meetings

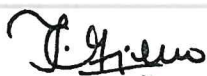
During the period under review the GIC held a total of four (4) meetings. The attendance to the meetings during the period when members were appointed are as summarised below;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Ms. Roselyn V. Amadi	Chair	2	2	100%
2.	Ms. Malika Ali Omar	Member	4	4	100%
3.	Mr. Francis Muraya	Member	4	4	100%
4.	Rev. Joseph Gatimu	Member	2	2	100%
5.	Mr. Charles M. Mutinda	Member	4	3	75%
6.	Mr. Hezbourne O Mackobongo	Member	4	2	50%
7.	Ms. Agnes Ndwiga	Member	2	2	100%

f) Audit and Risk Assurance Committee Meetings

During the period under review the Audit and Risk Assurance Committee held a total of Eight (8) meetings. The attendance to the meetings during the period from the time when members were appointed are as summarised below;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. John G. Msafari	Chair	5	4	80%
2.	Ms. Roselyn V. Amadi	Member	5	5	100%
3.	Mr. Salaah S. Balala	Member	5	5	100%
4.	Mr. Hezbourne Mackobongo	Member	8	3	37%
5.	Mr. Charles M. Mutinda	Member	8	5	62%
6.	Mr. Francis Muraya	Member	8	6	75%
7.	Ms. Agnes Ndwiga	Member	8	3	37%



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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The Authority Operational and Financial performance

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

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

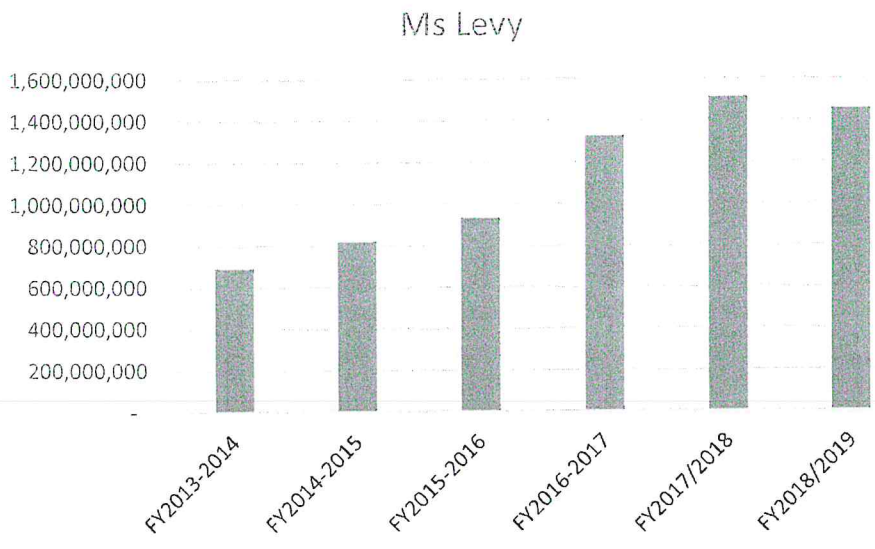
The Authority has four departments namely; Corporation Secretariat & Legal Services, Maritime Safety, Corporate Support Services, and Commercial Shipping, each of which is under the leadership of a Head of Department and the Directorate. The Directorate steers the Authority’s operations and is headed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

The Maritime Safety and Commercial Shipping departments are the core departments of the Authority. The Maritime Safety department is charged with undertaking port state and flag state inspections of ships while the Commercial Shipping department regulates maritime logistics services and shipping. The Corporation Secretary and Legal Services provide legal and policy guidance and advice to the core divisions and the Corporate Support Services Division provides corporate support services to the Authority. The Corporate Support Services Division facilitates the other departments in the delivery of their responsibilities and performance of their duties by providing finance and administrative support. The Authority discharges its mandate through four branches in Kisumu, Lamu Island, Lodwar and Baringo. The County offices also serve as Search and Rescue Coordination sub-centres to help in coordination of search and rescue operations for any maritime and inland waters incidents and are also the focal points for information sharing on issues relating to water transport.

During the Financial Year 2018-2019 that ended on 30th June 2019, the Authority was able to collect **Kshs 1,521,905,508** whereby MS Fees contributed **Kshs 1,454,217,996**, which is the main source of Income, **Kshs 2,092,732** was received as Government grant for the Multinational Lake Victoria Maritime Communication and Transport Project, and the Authority collected an additional **Kshs 65,594,780** from other source of income which include boat surveys, licence fees, interest income

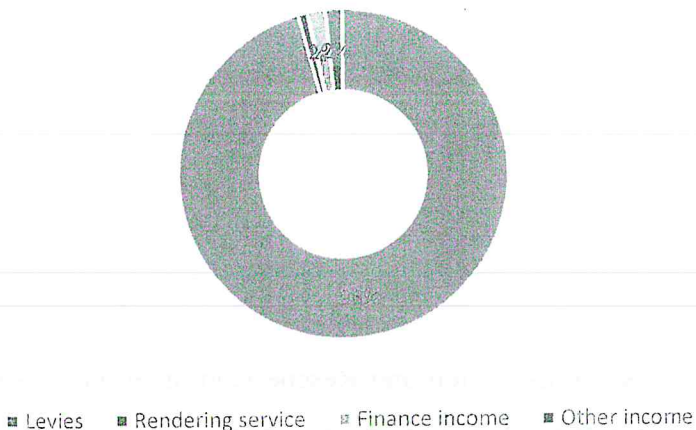
VII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

and other miscellaneous income. MS Levy had a 4% decrease from last financial year 2017/2018 due to challenges in cargo clearance which affected volumes of cargo cleared from the port.



The Authority projects 7% growth in the subsequent year, this is based on ongoing expansion of the port and streamlining of the land Container Depot operations.

Revenues Proportions



Competition from neighbouring ports and port efficiency remain the main challenges which would affect the level of cargo import/export business in the country.

VII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Authority Compliance with Statutory Requirements

The Authority operate under the following key statues, KMA Act, PFM Act, Income Act and Public Procurement and Asset disposal Act among other statues. KMA management have tried their level best to ensure that the Authority complies with all the relevant sections of these statues.

Key Projects and Investment Decision the Authority is Planning/Implement

During the four quarter of the financial year the Authority planned for the following project. Status and financing arrangement have been indicated accordingly.

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of Funds
1	Construction of KMA Headquarters	1,728M	1,235M	71.5%	537M	535M	KMA
2	Multinational Lake Victoria Maritime Communication and Transport	529M	9M	1.7%	140M	9M	AFDB

Construction of KMA Headquarters is financed from internal sources while Multinational Lake Victoria Maritime Communication and Transport project is donor funded whereby relevant contracts have been signed as commitment to avail funds.

Major risks facing the Authority.

The Authority has no major risk facing it.

Material arrears in statutory /financial obligation

The Authority has settled the 90% surplus remittance to the National Treasury amounting to Kshs 662,345,603 on Audited financial statements for the period FY2012/2013 to FY2017/2018.

Financial probity and serious governance issues

During the year there are no major governance and audit issue raise by the Audit Committee, external auditor or national Government.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

The Authority therefore regards CSR as a strategic means to:

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

During the financial year 2018/2019 the Authority's expenditure towards its CSR activities countrywide amounted to Ksh.3,819,539. Priority was given to activities pertaining to the KMA mandate, education, health, community involvement and environmental protection in line with the Authority's CSR policy. These are outlined below;

1. KMA Mandate and Strategic Plan:

Support towards the Seafarers Union of Kenya (SUK): Promoting seafarers' welfare is one of the Authority's key mandate. In this regard, the Authority gave financial support of **Kshs 1,500,000** to the Seafarers Union of Kenya to support the thirty eight (38) seafarers recruited under the Mediterranean Shipping Company recruitment drive to acquire new uniforms and mandatory medical examinations in accordance with STCW regulations.

Support towards clearance and transportation of Life jackets: The Authority is committed towards enhancing maritime safety and security as its core mandate. In this regard, KMA supported the transportation and clearance of 300 pieces of life jackets in a forty feet container from the Port of Mombasa to Liwatoni at a cost of **Kshs. 182,584**.

2. Education

Kenya Maritime Authority is keen on supporting educational initiatives particularly those that promote Maritime Education and Training (MET). During the financial year, the Authority supported the Institute of Chartered Shipbrokers (ICS) annual dinner as a Title Sponsor, at a cost of **Kshs. 500,000**, in line with its mandate of promoting Maritime Education and Training and in accordance with the KMA CSR policy. During the Dinner, KMA reiterated its commitment to further develop the Land based Maritime Curriculum and promote professionalism within the shipping industry considering that

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (Continued)

it is expected to enhance the sector's contribution to the Blue Economy, Big Four Agenda and national economy as envisaged in Kenya's Vision 2030 and encourage Kenyans to invest in the maritime sector. ICS aims at advancing shipping professional standards in East Africa through membership and examination. The ICS annual dinner presents awards to best performing students in the Institute Examinations.

3. Health, Community involvement & Charitable projects

The Authority supported health initiatives in order to improve health standards of the beneficiaries in the country. This was in line with the Sustainable Development Goals (SDG) '3' on ensuring healthy lives and promoting well-being for all ages and the vision 2030 under the social pillar.

This year's beneficiaries included:-

i. Mater Heart run

The Authority participated as a Ruby Sponsor in the Annual Mater Heart Run program aimed at supporting Kenyan children from needy families who are unable to afford cardiac treatment and surgeries. The Authority donated **Kshs 500,000** and its employees took part in the Mater Heart run to help raise more funds for the needy children's heart surgeries around the country. It was reported that at least 18,439 children benefited from the program and the Authority is pleased to have touched a child's heart in the initiative.



KMA staff volunteer & participate in the annual Matter Heart Run

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (Continued)

4. Marine Environment Protection

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

KMA partnered with the Mombasa Kilindini Community Forest Association (MOKICFA) to rehabilitate a mangrove site at the Mkupe creek, Port Reiz by planting 3000 mangrove seedlings.



KMA staff and stakeholders planting mangroves at the Mkupe Creek, Portreiz

The Authority also collaborated with the Watamu Marine Association- Eco World in its second phase of its marine environment protection program which constituted the support of the Blue Team to clean up beaches in Watamu weekly, for a period of six (6) months, collect plastic waste and recycle the plastic waste through its marine waste management program to benefit the community.



KMA Staff and the Blue Team collecting plastics from the Watamu Beaches during a clean-up exercise.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (Continued)

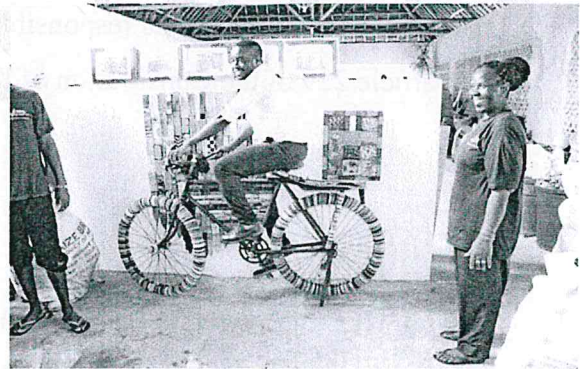
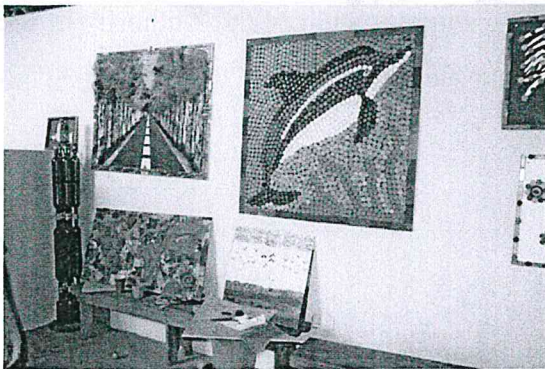


KMA Staff and the Blue Team sorting and weighing plastics from the Watamu Beaches after a weekly clean- up exercise.

The program also includes the sensitization of public secondary schools in Watamu on marine waste management, protection of the marine environment and instil a culture of conserving marine environment. The project purposes to educate students on protecting the marine environment, threats of marine waste and plastic pollution and the benefits related to recycling as well as improving local and national awareness on marine environment and waste management practices.

The secondary schools that are benefitting from the sensitization programme are Canon Mweri Secondary School, Kakuyuni Boys Secondary School, Ngala Memorial Girls Secondary School, Gede Secondary School and Mida Secondary School.

The total cost of the marine environment protection initiatives was therefore **Ksh. 1,505,867**



Plastic recycled into art.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Authority's affairs.

Principal activities

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

Results

The results of the Authority for the year ended June 30, 2019 are set out on page 1.

Directors

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

Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. During the financial year the Authority remitted Kshs 662,345,603 to The National Treasury being payment of arrears of the surplus.

Auditors

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

By Order of the Board



CORPORATION SECRETARY

MOMBASA

Date: ... 6th January 2020

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Public Sector Accounting Standard (IPSAS), and in the manner required by the PFMA and the SCA. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

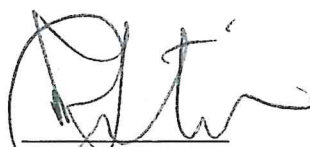
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of financial statements

The Authority's financial statements were approved by the Board on 20th SEPT, 2019 and signed on its behalf by:



Director



Director



Director

**XI. REPORT OF THE INDEPENDENT AUDITORS ON KENYA MARITIME
AUTHORITY**

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA MARITIME AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Maritime Authority as set out on pages 1 to 46, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Maritime Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Maritime Act, Cap 370 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance of Kshs.908,207,382 which, as disclosed in Note 20 to the financial statements, included an amount of Kshs.279,311,839 held in a current account with a local commercial bank. However, and as previously reported, the June 2019 bank reconciliation statement for the account reflected an amount of Kshs.4,344,000 in respect of payments in bank statement not recorded in cash book dating back to the month of June, 2018. Available records indicated that the payment was made to a legal firm representing the Authority. However, the payment was not supported by a payment voucher, supporting documents used for the procurement of the services, evidence of services rendered and authorization of remittance of the funds to the law firm.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.908,207,382 could not be confirmed.

2. Domestic Air Travel and Local Duty Travel Allowances

The statement of financial performance reflects an amount of Kshs.273,447,225 under general office expenditure which, as disclosed in Note 17 to the financial statements, includes domestic and overseas air travel costs of Kshs.20,070,669 and duty travel allowances - domestic and foreign of Kshs.44,452,868, all totalling Kshs.64,523,537. However, the expenditure included Kshs.737,410 spent on domestic air travel and Kshs.1,342,242 spent on local duty travel allowances, all totalling to Kshs.2,079,652 for staff of the State Department for Shipping and Maritime Affairs. However, the Management did not provide explanations why Kenya Maritime Authority incurred the expenditure on behalf of the State Department which has its own budget.

Consequently, the propriety and validity of domestic and overseas air travel and duty travel allowances of Kshs.2,079,652 could not be confirmed.

3. Unsupported Bank Balance - House Loan Guarantee

The statement of financial position reflects a balance of Kshs.214,673,878 in respect of mortgage guarantees, which as disclosed in Note 24 to the financial statements, includes an amount of Kshs.184,173,878 relating to house loan guarantee held in a local commercial bank. However, the supporting certificate of bank balance as at 30 June, 2019 was not provided for audit verification.

In the circumstances, the accuracy and completeness of the house loan guarantee balance of Kshs.184,173,878 could not be confirmed.

4. Inventories

The statement of financial position reflects an inventories balance of Kshs.4,852,851 as at 30 June, 2019. However, included in the balance is an amount of Kshs.3,057,037 whose physical stock count balance was valued at Kshs.2,540,203, thus resulting into an unreconciled and unexplained variance of Kshs.516,834.

Consequently, the accuracy and completeness of inventories balance of Kshs.4,852,851 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Authority had an approved budget of Kshs.1,656,560,000 compared to actual receipts of Kshs.1,521,905,508 or 92% of budgeted receipts. Similarly, the Authority's actual expenditure amounted to Kshs.790,153,466 against a budgeted expenditure of Kshs.1,097,918,000 resulting to an under-expenditure of Kshs.307,764,534 or 28% of the budgeted expenditure.

The under-expenditure may have affected the planned activities of the Authority and could have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Audit Matters

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, various prior year audit issues remained unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year audit issues

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Outstanding Imprests

As disclosed in Note 20(a) to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.908,207,382 as at 30 June, 2019. Included in the balance is an amount of Kshs.8,439,817 in respect to outstanding imprests to staff and Kshs.1,613,000 in respect of outstanding imprests to Directors, all totalling to Kshs.10,052,817. However, imprests amounting to Kshs.2,863,099 had fallen due but had not been surrendered, contrary to Regulation 93(5) of the Public Finance

Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

Management was, therefore, in breach of the Law.

2. Trade and Other Receivables from Exchange Transactions

The statement of financial position and Note 21 to the financial statements reflect trade and other receivables from exchange transactions balance of Kshs.85,495,420. However, the following observations were made:

2.1 Trade Receivables

As previously reported, included in the trade receivables from exchange transactions balance of Kshs.85,495,420 is an amount of Kshs.13,492,209 in respect of trade receivables, out of which Kshs.6,604,812 had been outstanding since 1 July, 2015. The Management did not provide satisfactory explanations why these debts had not been collected and no evidence was provided to indicate that the matter had been referred to an agency for collection as provided in the credit policy. The policy provides that any amount outstanding for over forty-five (45) days should be referred to an agency to ensure follow up and subsequent settlement.

Consequently, the recoverability and validity of trade debtors balance of Kshs.6,604,812 could not be confirmed.

2.2 Other Non-Trade Receivables

2.2.1 Supply, Review and Installation of Enterprise Resource Planning

The trade receivables also includes an amount of Kshs.52,561,795 in respect of other non-trade receivables, out of which an amount of Kshs.2,275,749 related to a claim from a supplier for non-performance of contractual obligations. The payment represented 20% of the contract sum of Kshs.11,378,743 which was payable after first project meeting, contract sign off and signing of the project charter. The contract for supply, review, upgrade, installation and support of the Enterprise Resource Planning (ERP) system and integration with the electronic data management system and other systems was signed on 15 December, 2016 for a contract period of twelve (12) weeks. Available records showed that the Project stalled before reaching the second milestone and the Management indicated that efforts to recover the claim was ongoing. However, as at the time of audit in the month of September, 2019, thirty-two (32) months after the expiry of the contract period, the service provider had not completed the work.

Consequently, the recoverability of other trade debtors of Kshs.2,275,749 could not be confirmed.

2.2.2 Advance Payment for Construction of Headquarters

Included in the other non-trade receivables balance of Kshs.52,561,795 is an amount of Kshs.40,885,915 in respect to an advance payment to a contractor for construction of the Authority's Headquarters. However, the validity of the advance payment security lapsed on 31 January, 2018 and had not been renewed as at 30 June, 2019. Further, the Management provided a partial advance security of Kshs.11,569,634 issued by a Bank on 05 November, 2019 and valid up to 02 February, 2020. The balance of Kshs.29,316,281 or 72% of the advance payment was therefore not secured. The payment was therefore, contrary to Section 147(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that under exceptional circumstances, advance payment may be granted and shall not exceed twenty per cent (20 %) of the price of the tender and shall be paid upon submission by the successful tenderer to the procuring entity of an advance payment security equivalent to the advance itself and that security shall be given by a reputable bank or any authorized financial institution issued by a corresponding bank in Kenya recognized by the Central Bank of Kenya, in case the successful tenderer is a foreigner.

In the circumstances, the validity, regularity and recoverability of other non-trade receivables balance of Kshs.29,316,281 could not be confirmed.

2.3 Provision for Doubtful Debts

As disclosed in Note 21 to the financial statements, the Authority made a provision for doubtful debts amounting to Kshs.11,644,824 representing 86% of the trade receivables balance of Kshs.13,492,209. As previously reported, according to the Authority's policy on provision for bad and doubtful debts, receivables outstanding for more than 100 days qualify to be provided for. However, there was no evidence of the debt collection strategies implemented by the Authority. Further, the reasonableness of the policy to provide for all debts outstanding for one hundred (100) days and above could not be confirmed.

3. Capital Work in Progress

As disclosed in Note 27 to the financial statements, the property, plant and equipment balance of Kshs.1,572,223,087 includes an amount of Kshs.1,235,282,101 in respect of capital work in progress being the cumulative cost of the ongoing works on Kenya Maritime Authority Headquarters Project at a total cost of Kshs.1,728,176,418. The works consists of main building works, electrical, plumbing and drainage, air conditioning and elevator installation works. The following observations were made:

3.1 Payment of General Preliminaries

As previously reported, the capital work in progress balance of Kshs.1,235,282,101 includes an amount of Kshs.539,431,019, being payments for interim certificate numbers 2, 3 and 4. Audit review of the interim certificates indicated that, the payments were made by the Authority for particular preliminaries included in the Bill of Quantities, at a cost of

Kshs.3,500,000 which was paid in full plus 15% or Kshs.525,000 profit for groundbreaking ceremony. The preliminaries, being provisional amounts, are reimbursed on production of evidence of actual costs incurred. However, the Authority paid the contractor the full amount without evidence of actual cost incurred.

Consequently, the propriety and validity of ground-breaking ceremony cost of Kshs.3,500,000 could not be confirmed.

3.2 Payment of Rent

As previously reported, included in the capital work in progress balance of Kshs.1,235,282,101 are payments for rent amounting to Kshs.2,070,000, being costs incurred by the Kenya Maritime Authority to temporarily resettle tenants of Reef Apartment Building whose stability was compromised during excavation for the foundation of the Headquarters building. However, the capitalization of the rent expense is contrary to Paragraph 30 (b) of International Public Sector Accounting Standard No. 17 – Property, Plant and Equipment - which provides that the cost of an item of property, plant, and equipment comprises: any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management’.

Further, Paragraph 30.3 of the conditions of contract under liability and insurance provides that, ‘the contractor shall provide in joint names insurance cover that should have covered loss or damage to property in connection with the contract’. Therefore, the cost of rent should have been catered for by the cover. Also, the Appendix to the conditions of contract clearly provided Kshs.5,000,000 as the minimum for insurance of other property.

Consequently, the validity of Kshs.2,070,000 in respect of work in progress could not be confirmed.

3.3 Construction of Headquarters Subcontracts

Included in the contract sum of Kshs.1,728,176,418 for construction of Kenya Maritime Authority Headquarters, are prime costs and provisional sums amounting to Kshs.390,452,000 or 22.6%, contrary to the guidelines provided by the Public Procurement Oversight Authority, which provides under Section VII Bills of Quantities Paragraph 3.0(d)(ii) that ‘Provisional Sums to cover specialized works normally carried out by Nominated Sub Contractors should be avoided and instead Bills of Quantities of the specialized works should be included as a section of the main Bill of Quantities to be priced by the main contractor. The main contractor should be required to indicate the name (s) of the specialized firms he proposes to engage to carry out the specialized Works as his approved domestic subcontractors. Only provisional sums to cover specialized works by statutory authorities should be included in the Bills of Quantities’.

Consequently, the Authority contravened the Law and the validity and propriety of prime costs and provisional sums amounting to Kshs.390,452,000 could not be confirmed.

3.4 Electrical Works Sub- Contract

The Authority evaluated sub-contractors to carry out works listed in provisional sums and prime costs under the supervision of the main works contractor. However, review of the procurement of the electrical works contractor revealed that the lowest evaluated bidder had quoted Kshs.115,976,976 which was corrected to Kshs.224,292,876 at evaluation stage, contrary to Section 82 of the Public Procurement and Asset Disposal Act, 2015 which states that 'the tender sum as submitted and read out during the tender opening shall be absolute and final and shall not be the subject of correction, adjustment or amendment in any way by any person or entity'.

Further, records provided for audit indicated that the Authority disengaged from the subcontract on 5 November, 2019 and the subcontractor acknowledged the disengagement on 19 November, 2019. However, based on the professional advice by the Solicitor-General on 1 November, 2019, the Kenya Maritime Authority has no contractual relationship with the subcontractor, but the main contractor. Therefore, the subcontractor may seek legal redress and be awarded damages.

Consequently, the Management was in breach of the Law. Further, the validity and regularity of the electrical contract price of Kshs.224,292,876 could not be confirmed.

4. Non-Submission of Financial Statements for Audit- Mortgage Guarantees

As previously reported, the statement of financial position reflects a balance of Kshs.214,673,878 in respect of mortgage guarantees. Available information indicated that the Authority had a staff car loan scheme with a balance of Kshs.30,500,000 and a housing mortgage scheme with a balance of Kshs.183,620,370 as at 30 June, 2019, operated by two local commercial banks. However, the financial statements for the two schemes were not submitted to the Auditor-General for audit, contrary to Section 81(1,4) of the Public Finance Management Act, 2012 which provides that at the end of each financial year, the Accounting Officer for a national government entity shall prepare financial statements in respect of the entity and submit the same to the Auditor-General. In addition, Paragraph 5 of Part 4 of the Salaries and Remuneration Commission's Circular SRC/ADM/CIR/1/13 Vol.III (128) dated 17 December, 2014 on the management of car loan and mortgage schemes for state officers requires each scheme to be subjected to annual audit.

As a result, the completeness and legality of mortgage guarantees balance of Kshs.214,673,878 could not be confirmed.

5. Employee Costs

As disclosed in Note 13 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.415,217,915 relating to employees costs. The following observations were made;

5.1 Training in Foreign Country Organized by Local Organization

The staff training expenditure also includes accommodation allowances of Kshs.494,179 paid to two (2) Directors of the Authority to attend a training on corporate governance organized by Strathmore Business School, in Dar-es-Salaam, Tanzania. It is not clear why the Management allowed the two Directors to be trained in a foreign country by an Institution based in Kenya, contrary to Paragraph 4.2.1 of the Guidelines on Managing Training in the Public Service of February, 2017 which provides that an approval to train in foreign based institutions will be granted only in instances where the course applied for is not available in any local institution.

In the circumstances, the Management was in breach of the Law and the regularity and propriety of the expenditure amounting to Kshs.494,179 on training could not be confirmed.

5.2 Employees Above the Age of Sixty (60) Years

Audit of the payroll for the year ended 30 June, 2019 indicated that the Authority engaged two (2) employees on 3 January, 2019 and on 28 March, 2019 on three (3) year contracts. However, the two employees were above the mandatory retirement age of sixty (60). This is contrary to Paragraph D.21 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities or as may be prescribed by the government from time to time.

Consequently, the Management was in breach of the Law.

5.3 Irregular Procurement of Training Services

Included in the expenditure of Kshs.89,043,531 in respect of staff training was an amount of Kshs.4,513,148 not included in the procurement plan of the Authority. This is contrary to Regulation 51(3) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer should make an expenditure commitment only against the procurement plan approved for that entity in accordance with the Public Procurement and Asset Disposal Act, 2015 and the Regulations made thereunder.

Consequently, the Authority contravened the provisions of the Public Procurement and Asset Disposal Act, 2015 and the propriety of staff training costs of Kshs.4,513,148 could not be ascertained.

5.4 Employees With Net Salaries Less than One Third of Basic Salary

Audit of the payroll for the year ended 30 June, 2019 revealed that the net pay for four (4) employees totalling to Kshs.265,753 was less than a third of their corresponding basic pay of Kshs.1,282,917, contrary to Section 19(3) of the Employment Act, 2007 which

states that the total amount of all deductions made by an employer from the wages of his employee at any one time, shall not exceed two-thirds of such wages.

Consequently, the Management was in breach of the Law.

6. General Office Expenditure

As disclosed in Note 17 to the financial statements, the statement of financial performance reflects an amount of Kshs.273,447,225 under general office expenditure. The following observations were made:

6.1 Irregular Procurement of Motor Vehicles and Boat Insurance

The general office expenditure includes insurance expenses of Kshs.7,720,395 out of which an amount of Kshs.3,003,788 is in respect of motor vehicles and boat insurance. However, the following anomalies were noted:

- i. Requests for quotations provided for audit review did not specify the risks to be covered and limits of cover. Further, review of documents submitted by bidders revealed that each bidder quoted for different cover limits and risks, hence the bid prices were not comparable.
- ii. Audit review of tender evaluation minutes revealed that no technical evaluation of the bids was done.
- iii. Audit review of the quotations revealed that only two (2) bidders responded out of the six (6) invited. However, the quotations were evaluated, contrary to Section 106 (2)(d) of the Public Procurement and Asset Disposal Act, 2015 which requires the Accounting Officer to ensure that at least three (3) persons shall submit their quotations prior to evaluation.
- iv. The Authority used requests for quotations procurement method. However, a list of the insurance providers and details on how the bidders were identified were not provided for audit verification.

In the circumstances, the Management was in breach of the Law and the validity, regularity and propriety of the expenditure on motor vehicles and boat insurance services amounting to Kshs.3,003,788 could not be confirmed.

6.2 Goods Supplied Beyond the Validity Period - Office Uniforms and Clothing

The general office expenditure also includes an amount of Kshs.615,820 in respect of office uniforms and clothing. However, included in this amount is Kshs.470,835 in respect of goods procured through Purchase Orders (POs) raised in the month of April, 2018 but delivered in November, 2018, about six (6) months after the validity period of the POs had lapsed. This is contrary to Regulation 53 of the Public Finance Management (National Government) Regulations, 2015 which provides that the validity period of Local Purchase Order is thirty (30) days.

Consequently, the Management was in breach of the Law in respect of the expenditure.

7. Loans to Members of Staff Beyond Approved Limit

During the year under review, two (2) employees of the Authority were provided with car loan benefits through a scheme administered by a bank on behalf of the Authority. However, scrutiny of the loan beneficiaries revealed that car loans were advanced to two (2) employees in excess of the approved Salaries and Remuneration Commission limits as summarized below:

Kenya Maritime Authority Job Group	Civil Service Job Group	Maximum Loan Limit (Kshs.)	Principal Loan Amount Advanced (Kshs.)	Excess Loan Advanced (Kshs.)
8	H	800,000	1,349,634	549,634
3	R	3,000,000	3,576,000	576,000
Total		3,800,000	4,925,634	1,125,634

The excess car loan of Kshs.1,125,634 is contrary to Salaries and Remuneration Commission Circular No. SRC/023/12/2014 of 17 December, 2014 which provides the thresholds for car loan and Mortgage Scheme benefits for various cadres of public officers in the Public Service.

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

8. Operating a Bank Account Without Approval of The National Treasury

Section 28(1) of the Public Finance Management Act, 2012 provides that The National Treasury shall authorize the opening, operating and closing of bank accounts and sub accounts for all National Government entities. During the year under review, the Management opened a bank account for Multinational Lake Victoria Maritime Communications and Transport Project at a local Commercial Bank. However, the authority by The National Treasury to open the bank account was not provided for audit verification.

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

9. Interest Rate on Un-Utilized Car Loan Guarantee Fund

The statement of financial position reflects a balance of Kshs.214,673,878 under mortgage guarantees which, as disclosed in Note 24 to the financial statements, includes a car loan guarantee of Kshs.30,500,000. Paragraph 6(a) of the Service Agreement between the Authority and the bank operating the Scheme requires the parties to set interest rate for unutilized deposits held by the bank. However, no record was provided to show the interest rate had been set during the four (4) years that the car loan guarantee Fund had been in operation (from 27 June, 2015 to September, 2019). Further, review of the ledger revealed that no interest had been earned by the Authority on unutilized funds

as the car loan guarantee ledger balance of Kshs.30,500,000 as at 30 June, 2019 comprised Kshs.14,134,509 being outstanding car loans and Kshs.16,365,491 being the balance held by the bank as un-utilized deposits.

Consequently, the Management was in breach of the Law and Service Agreement.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of Kenya Maritime Authority's 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 Kenya Maritime Authority's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective manner in line with Article 229(6) of the Constitution of Kenya, 2010.

Those charged with governance are responsible for overseeing Kenya Maritime Authority's financial reporting process, reviewing the effectiveness of how the entity 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 Kenya Maritime Authority's 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 review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in Kenya Maritime Authority's financial statements are in compliance with the authorities that govern them 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of Kenya Maritime Authority's financial statements and review of compliance, I consider internal controls 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 Kenya Maritime Authority's 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 going concern 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 Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of Kenya Maritime Authority's 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 Kenya Maritime Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

23 August, 2021

**XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

		2018-2019	RESTATED 2017-2018
	Note	Kshs	Kshs
Revenue From Non Exchange Transactions			
Levies	6	1,454,217,996	1,511,762,442
Government Grants	7	2,092,732	-
		<u>1,456,310,728</u>	<u>1,511,762,442</u>
Revenue From Exchange Transactions			
Rendering of Service	8	14,237,612	12,303,460
Finance Income	9	26,278,112	59,107,534 ^a
Other Income	10	25,079,056	10,739,696
		<u>65,594,780</u>	<u>82,150,690</u>
Total Revenue		<u>1,521,905,508</u>	<u>1,593,913,132</u>
Expense			
Employee Costs	13	415,217,915	439,764,305 ^b
Board of Directors Cost	14	35,092,326	39,592,348
Water and Electricity	15	5,268,867	5,097,289
Repairs and Maintenance	16	12,344,761	8,199,589 ^c
General Office Expenditure	17	273,447,225	374,557,941 ^d
MLVMCT Project Costs	18	9,002,697	-
Depreciation and Amortization	19	39,779,675	40,789,863
Total Expenses		<u>790,153,466</u>	<u>908,001,335</u>
Surplus from Operating Activities		<u>731,752,042</u>	<u>685,911,797</u>
Other Gains			
Gain on Sale of Assets	11	1,050,000	-
Gain on Foreign Exchange Transactions	12	57,251	(2,264,668)
Surplus for the Period		<u>732,859,293</u>	<u>683,647,129</u>

The notes set out on pages 10 to 49 form an integral part of these Financial Statements.

Note: The accounts marked a, b, c and d were restated as indicated below;

a. Finance Income

Interest Income which had been earned on Cooperative Bank Account had not been recognized in the period. The restatement is therefore the recognition of the interest income as indicated below;

Description	Amount
	Kshs
Audited Accounts	58,283,664
Cooperative Bank-Interest	823,870
Total	<u>59,107,534</u>

b. Employee Costs

Leave allowance expense had an erroneous provision of outstanding leave. Increase in provision amounting to Kshs 198,099 has thus been corrected

Description	Amount
	Kshs
Audited Accounts	439,962,404
Increase in Outstanding Leave Provision	(198,099)
Total	439,764,305

c. Repairs and Maintenance

Repair and maintenance costs amounting to Kshs 264,428 based on issued LPOs had been erroneously recognized as expenses through provisions thus the reversal as indicated below;

Description	Amount
	Kshs
Audited Accounts	8,464,017
Erroneous Provisions	(264,428)
Total	8,199,589

d. General Office Expenditure

Bank charges of Kshs 3,300 in respect to Cooperative Bank account had not been recognized while Kshs 1,849,876 based on issued LPOs had been erroneously recognized as expenses through provisions thus the reversal as indicated below;

Description	Amount
	Kshs
Audited Accounts	375,973,734
Cooperative Bank Charges	3,300
Erroneous Provisions	(1,849,876)
Overstated Medical Refund	429,717
Rounding off	1
KCB Mortgage Account Bank Charge	1,065
Total	374,557,941

**XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		2018-2019	RESTATED 2017-2018
Assets	Note	Kshs	Kshs
Current Assets			
Cash and Cash Equivalents	20	908,207,382	988,981,846 ^a
Trade Receivable from Exchange	21	85,495,420	214,327,797 ^b
Trade Receivable from Non Exchange	22	126,822,335	120,101,608 ^c
Inventories	23	4,852,851	4,492,008
Investments	25	-	383,251,600
Total Current Assets		1,125,377,988	1,711,154,859
Non-Current Assets			
Property, Plant & Equipment	27	1,572,223,087	1,071,124,009 ^d
Intangible Assets	26	5,123,333	3,015,838 ^e
Mortgage Guarantees	24	214,673,878	213,524,777 ^f
Total Non-Current Assets		1,792,020,298	1,287,664,624
Total Assets		2,917,398,286	2,998,819,483
Liability			
Current Liability			
Trade and Other Payables from Exchange	28	166,163,982	313,619,049 ^g
Gratuity	29	5,712,507	5,090,506
Surplus Funds Payable	30	175,871,361	667,331,223
Total Current Liability		347,747,850	986,040,778
Non-Current liability			
Deferred Government Grant	31	20,407,284	25,509,105
Total Non-Current liability		20,407,284	25,509,105
Total liabilities		368,155,134	1,011,549,883
Net Assets			
Capital Reserve	XIII	76,771,434	76,771,434
Revenue Reserve	XIII	2,238,098,248	1,674,244,696 ^h
Revaluation Reserve	XIII	4,373,470	6,253,470
Specific Reserve	XIII	230,000,000	230,000,000
Total Net Assets		2,549,243,152	1,987,269,600
Total Net Assets and Liabilities		2,917,398,286	2,998,819,483

The Financial Statements set out on pages 1 to 49 were signed on behalf of the Board of Directors by:

Director General

Major (Rtd) George Nyamoko Okong'o

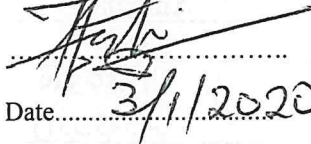


Date: 06/01/2020

Head Corporate Support Services

Mr. Cosmas Cherop

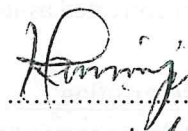
ICPAK Member No: 7539



Date: 3/1/2020

Board Chairman

Mr. Geoffrey N. Mwangi



Date: 6/1/2020

Note: The accounts marked a, b, c, d, e, f, g and h were restated as indicated below;

a. Cash and Cash Equivalents

Kshs 820,570 interest income for the period had not been captured in the cashbook thus the restatement. Staff salary advance and other debts were classified as Cash and Cash equivalents thus the correction of the error.

Description	Amount
	Kshs
Audited Accounts	989,042,065
Cooperative Bank Account	820,570
Staff Salary Advance & Other Debts	(880,790)
Rounding off	1
Total	988,981,846

b. Trade Receivable from Exchange

Receivable in respect to Medical scheme was erroneously reported inclusive of Kshs 429,719 which was a prepayment. Funds advanced towards ground-breaking ceremony of Kshs 4,025,000 and rent payment in respect to relocation of tenants adjacent to the Head Office constructions site of Kshs 2,867,500 in the FY2017/2018 have been recognized as receivables from the contractor.

Description	Kshs
Balance as per Audited Accounts	207,865,016
Medical Scheme Prepayment	(429,719)
Ground-Breaking Ceremony	4,025,000
Mbaraki Tenants Rent	2,867,500
Total	214,327,797

c. Trade Receivable from Non Exchange

Staff salary advance and other debts totalling Kshs 880,790 were classified as Cash and Cash equivalents hence the correction of the error through recognition of the same as receivables.

Description	Kshs
Balance as per Audited Accounts	119,220,818
Staff Salary Advance & Other Debts	880,790
Total	120,101,608

d. Property, Plant & Equipment

Funds advanced towards ground-breaking ceremony of Kshs 4,025,000 and rent payment in respect to relocation of tenants adjacent to the Head Office constructions site of Kshs 2,867,500 in the FY2017/2018 have been transferred to receivables from the contractor.

Description	Kshs
Balance as per Audited Accounts	1,078,016,509
Ground-Breaking Ceremony	(4,025,000)
Mbaraki Tenants Rent	(2,867,500)
Total	1,071,124,009

e. Intangible Assets

Amortization for the FY2014/2015 had not been recognized amounting to Kshs 4,543,551. This error has thus been corrected as indicated in the table.

Description	Amount
	Kshs
Balance as per Audited Accounts	7,559,389
Amortization of Intangible Assets	(4,543,551)
Total	3,015,838

f. Mortgage Guarantees

Interest on Mortgage account for FY2016/2017 amounting to Kshs 555,639 and a Bank charge of Kshs 1,065 had not been recognized. This error has thus been corrected as indicated in the table

<u>Description</u>	<u>Amount</u> <u>Kshs</u>
Balance as per Audited Accounts	212,970,203
Interest on KCB Mortgage Account	555,639
Bank Charge on Mortgage Account	(1,065)
Total	<u>213,524,777</u>

g. Trade and Other Payables from Exchange

During the FY2017/2018 erroneous leave allowance provision of Kshs 5,793,416 was made with another Kshs 2,114,295 based on issued LPOs had been erroneously recognized as payables through provisions thus the reversals as indicated below;

<u>Description</u>	<u>Kshs</u>
Balance as per Audited Accounts	321,526,769
Erroneous Provisions	(2,114,304)
Leave Allowance Provision	(5,793,416)
Total	<u>313,619,049</u>

h. Revenue Reserve

Revenue reserves have been restated based on the correction of intangible assets amortization, erroneous provisions, recognition of interest earned on Cooperative Bank account, recognition of Interest earned and bank charge on KCB Mortgage Account.

<u>Description</u>	<u>Kshs</u>
Balance as per Audited Accounts	1,669,935,101
Amortization of Intangible Assets	(4,543,551)
Erroneous Provisions	2,114,304
Cooperative Bank Interest	820,570
Leave Provision	5,793,416
Medical Scheme Recovery	(429,719)
Interest on KCB Mortgage Account	555,639
Bank Charge on Mortgage Account	(1,065)
Rounding off	1
Total	<u>1,674,244,696</u>

**XIV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

	Capital	Revenue Reserves	Revaluation Reserves	Specific Reserves	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30th June 2017	76,771,434	1,023,771,118	7,623,470	200,000,000	1,308,166,022
Surplus for the year	-	683,647,129	-	-	683,647,129
Revaluation Reserve	-	-	-	-	-
Realized Revaluation Gain	-	1,370,000	(1,370,000)	-	-
Oil Spill Response Mobilization Fund	-	(30,000,000)	-	30,000,000	-
Donated assets	-	-	-	-	-
90% Operating Surplus	-	-	-	-	-
Adjustment (Prior Year)	-	(4,543,551)	-	-	(4,543,551)
Balance as at 30th June 2018	76,771,434	1,674,244,696	6,253,470	230,000,000	1,987,269,600
Surplus for the year	-	732,859,293	-	-	732,859,293
Revaluation Reserve	-	-	-	-	-
Realized Revaluation Gain	-	1,880,000	(1,880,000)	-	-
Oil Spill Response Mobilization Fund	-	-	-	-	-
Donated assets	-	-	-	-	-
90% Operating Surplus	-	(170,885,741)	-	-	(170,885,741)
Adjustment (Prior Year)	-	-	-	-	-
Balance as at 30th June 2019	76,771,434	2,238,098,248	4,373,470	230,000,000	2,549,243,152

Nature and Purpose of Reserves

Revenue Reserves

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

Revaluation Reserves

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

Specific Reserves

i. Oil Spill Mobilization Reserve

This is a reserve set up for mobilizing services providers to conduct a cleanup in case of an oil spill incidence. This would minimize the response time to contain an oil spill and the impact on marine environment thereof. The funds are invested in 91Day Treasury Bills at the Central Bank of Kenya. The reserve balance as at the end of 30th June 2019 was Kshs 130Million.

ii. Search and Rescue Mobilization Reserve

This is a fund set up for mobilizing services providers to conduct a search and/or rescue in case of an accident at sea. This would minimize the response time to save lives and loss of life thereof. The funds are invested in 91Day Treasury Bills at the Central Bank of Kenya. The reserve balance as at the end of 30th June 2019 was Kshs 100Million.

Realized Revaluation Gain:

A motor vehicle (KBB 317S) which was revalued to Kshs 1,880,000 was disposed thus the recognition of realised gain through transfer from Revaluation Reserve to Revenue Reserve.

**XV. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019 Kshs	RESTATED 2017-2018 Kshs
Cash Flow From Operating Activities			
Surplus for the Period		732,859,293	683,647,129
Depreciation	19	39,779,675	40,789,862
Gain On Disposal Of Non- Current Asset	11	(1,050,000)	-
Foreign Exchange (Gain) Loss	12	(57,251)	2,264,668
Interest Income	9	(26,278,112)	(59,107,534)
		<u>745,253,605</u>	<u>667,594,125</u>
Working Capital Changes			
Decrease In Trade Receivables	21&22	122,111,650	56,549,354
Increase In Inventories	23	(360,843)	(1,057,222)
Decrease In Trade Payables	28	(147,455,067)	244,915,170
Increase In Gratuity	29	622,001	(756,307)
Decrease In Deferred Government Grant	31	(5,101,821)	(5,101,821)
Net Working Capital Changes		<u>(30,184,080)</u>	<u>294,549,174</u>
Net Cash Generated From Operating Activities		<u>715,069,525</u>	<u>962,143,299</u>
Investing Activities			
Purchase of Property, Plant And Equipment	26&27	(542,986,248)	(708,997,470)
Proceeds From Sale of Property, Plant And Equipment	11	1,050,000	-
Investment In Fixed Deposits and Long Term Deposits	24&25	382,102,499	(439,564,894)
Interest Income	9	26,278,112	59,107,534
Foreign Exchange (Gain) /Loss	12	57,251	(2,264,668)
Net Cashflow (Used In)/Generated In Investing Activities		<u>(133,498,386)</u>	<u>(1,091,719,498)</u>
Financing Activities			
90% Operating Surplus Remission	30(a)	(662,345,603)	-
Net Cashflow (Used In)/Generated In Financing Activities		<u>(662,345,603)</u>	<u>-</u>
Net Increase / (Decrease) In Cash And Cash Equivalents		<u>(80,774,464)</u>	<u>(129,576,199)</u>
Cash And Cash Equivalent As At 01 July		988,981,846	1,118,558,045
Cash And Cash Equivalent As At 30 June		<u>908,207,382</u>	<u>989,981,846</u>

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
MS Levy	1,700,000,000	(240,000,000)	1,460,000,000	1,454,217,996	(5,782,004)
Rendering Service	33,840,000	(19,840,000)	14,000,000	14,237,612	237,612
Finance Income	36,160,000	2,340,000	38,500,000	26,278,112	(12,221,888)
Other Income	30,000,000	(25,940,000)	4,060,000	25,079,056	21,019,056
Government Grants	-	140,000,000	140,000,000	2,092,732	(137,907,268)
Total income	1,800,000,000	(143,440,000)	1,656,560,000	1,521,905,508	(134,654,492)
Expense					
Employee Costs	456,000,000	(20,680,000)	435,320,000	415,217,915	20,102,085
Board of Directors Cost	30,000,000	5,000,000	35,000,000	35,092,326	(92,326)
Water and Electricity	5,500,000	110,000	5,610,000	5,268,867	341,133
Repairs and Maintenance	6,400,000	5,450,000	11,850,000	12,344,761	(494,761)
General Office Expenditure	344,400,000	63,738,000	408,138,000	273,447,225	134,690,775
MLVMCT Project Costs	160,000,000	-	160,000,000	9,002,697	150,997,303
Depreciation	40,000,000	2,000,000	42,000,000	39,779,675	2,220,325
Total Expenditure	1,042,300,000	55,618,000	1,097,918,000	790,153,466	307,764,534
Surplus for the period	757,700,000	(199,058,000)	558,642,000	731,752,042	(173,110,042)

Reconciliation Statement	Amount Kshs	Amount Kshs
Surplus for the period as per the Statement of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2019		731,752,042
Add: Other Gains		
Gain on Sale of Assets	1,050,000	
Gain on foreign exchange transactions	57,251	
Total Other Gains		1,107,251
Surplus for the period as per the Statement of Financial Performance For The Year Ended 30 June 2019		732,859,293

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

1. Finance income had a negative variance of 32%, largely attributed to Management's decision to hold funds in anticipation of making substantial payments for the Head Office construction based on the cashflow projections provided by the project implementation team.
2. Other Income had a positive variance of 518% attributed to recognition of Deferred Income earned on Deferred Government grant during the period, medical expense refund from Heritage Insurance and recognition of Training Levy recoverable from staff.
3. Government Grants had negative variance of 99% as the MLMCT Project implementation challenges related to funds flow and disbursement arrangements hampered release of project funds.
4. General office Expenditure has a cumulative variance of 33% mainly due to implementation of austerity measures by management, planned activities not taking off during the reporting period, planned Naivasha/Nakuru branches were not opened.
5. MLMCT Project Costs; Project implementation challenges led to a slowdown in project activities. This necessitated re-scoping of the project to enable resolution of contentious items such as ownership of joint assets between the member countries.

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (Continued)
Explanation of Changes between Original and Final Budget

Revenue	Original budget	Adjustments	Final budget	Reason
	2018-2019	2018-2019	2018-2019	
M/S Levy	1,700,000,000	(240,000,000)	1,460,000,000	Revision of the budget downwards was based on collection trend in the first half of the 2018-19 Financial Year
Rendering Service	33,840,000	(19,840,000)	14,000,000	Revision of the budget downwards was based on collection trend in the first half of the 2018-19 Financial Year
Finance Income	36,160,000	2,340,000	38,500,000	Revision of the budget upwards was due to downward revision of cash requirement for the KMA HQ Project for the 2018-19 FY thus the money earmarked for the project was invested in treasury bills longer than initially anticipated.
Other Income	30,000,000	(25,940,000)	4,060,000	Assets earmarked for disposal, in line with the KMA's Asset Disposal Policy, remained in use following the non-approval of the Authority's Capital Budget in good time to allow replacement of the said assets.
Government Grants	-	140,000,000	140,000,000	This Amount had been captured under printed estimates for the State Department for Transport but was transferred to KMA in the revised budget
Total income	1,800,000,000	(143,440,000)	1,656,560,000	
Expense				
Employee Costs	456,000,000	(20,680,000)	435,320,000	The revision of the budget downwards was as a result of delays in approval of the Authority's revised salary structure by SRC and the National Treasury
Board of Directors Cost	30,000,000	5,000,000	35,000,000	The upward revision of the budget was attributed to anticipated increase in airfare and accommodation expenses following the appointment of majority of the Board members from outside Mombasa County
Water and Electricity	5,500,000	110,000	5,610,000	Revision of the budget upwards was based on trend in the first half of the 2018-19 Financial Year
Repairs and Maintenance	6,400,000	5,450,000	11,850,000	Revision of the budget upwards was based on trend in the first half of the 2018-19 Financial Year
General Office Expenditure	344,400,000	63,738,000	408,138,000	Revision of the budget upwards was based on trend in the first half of the 2018-19 Financial Year
Depreciation	40,000,000	2,000,000	42,000,000	Revision of the budget upwards was as a result of anticipated acquisition of ERP System after the Authority got approval from the ministry of ICT
Total Expenditure	882,300,000	55,618,000	937,918,000	
Surplus for the period	917,700,000	(199,058,000)	718,642,000	

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Kenya Maritime Authority accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019</p> <p>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.</p> <p>The standard has no impact to the Authority as its pension scheme is a defined contribution scheme.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>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:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The standard has no impact to the Authority as yet due to limitation in financial instruments the Authority is allowed to hold.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 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:</p> <ol style="list-style-type: none"> (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. <p>The standard has no impact to the Authority as provision of Social Benefits doesn't fall within its mandate.</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees/Levy

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

Transfers from the Government

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on 10th August 2019. 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 Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of Kshs 256million on the 2018-2019 budget following the Board of Directors approval.

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

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

The actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance are similar therefore no reconciliation statement has been presented.

c) Property, plant and equipment

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

d) Intangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Research and development costs

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

f) Financial instruments

Financial assets

Initial recognition and measurement

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

Receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

g) Inventories

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

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

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

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

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

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

h) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

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

i) Nature and purpose of reserves

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

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

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

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

Rate of contribution for the period under audit is:-

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

l) Foreign currency transactions

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

m) Related parties

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

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

- Ministry of Transport And Infrastructure-Received grant Ksh 2,092,732.
- Board of directors-Incurred the following cost for the board Kshs 35,870,326.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) Cash and cash equivalents

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

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

Depreciation and amortisation is calculated on a straight line method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Useful lives and residual values (Continued)

The Annual depreciation/amortisation rates as stated below:-

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

As at the end of the FY 2018/2019 fully Depreciated Assets amounted to Kshs. 214,125,725.

q) Taxation

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

6. Levies

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Merchant shipping levy	1,420,480,138	1,476,689,553
Collection cost (KRA commission)	<u>33,737,858</u>	<u>35,072,889</u>
Total Levies	<u>1,454,217,996</u>	<u>1,511,762,442</u>

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

7. Government Grants

Description	Date Received	Amount
		Kshs.
Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.	09/11/2018	<u>2,092,732</u>
		<u>2,092,732</u>

Grants represent funds provided by donors either directly or through a sponsor for the purposes of financing specific projects. During the year the Authority received Kshs 2,092,732 in respect to Capacity Building of the National Project Unit and sensitizations for the Multinational Lake Victoria Maritime Communication & Transport Project.

8. Rendering of service

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Boat survey fees	7,044,194	6,921,501
Shipping agents fees	<u>7,193,418</u>	<u>5,381,959</u>
Total Rendering of Service Income	<u>14,237,612</u>	<u>12,303,460</u>

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

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

9. Finance Income-External Investment

Description	2018-2019	RESTATED 2017-2018
	Kshs.	Kshs.
Interest from Commercial Bank Deposits	2,822,044	24,475,210
Interest from Government Securities	<u>23,456,068</u>	<u>34,632,324</u>
Total Finance Income	<u>26,278,112</u>	<u>59,107,534</u>

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

10. Other Income

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Agency Fee	2,033,287	2,104,377
Rental	807,471	937,811
Sale of Books	695,714	394,436
Sale of Tender Document	-	1,000
Deferred Income Recognized	5,101,821	5,101,821
Others	<u>16,440,763</u>	<u>2,200,251</u>
Total Other Income	<u>25,079,056</u>	<u>10,739,696</u>

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

11. Gain on Sale of Assets

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Cost of the asset	1,880,000	-
Accumulated depreciation	<u>1,880,000</u>	<u>-</u>
Net book value	<u>-</u>	<u>-</u>
Proceeds	<u>1,050,000</u>	<u>-</u>
Gain on disposal	<u>1,050,000</u>	<u>-</u>

Sale of assets are funds received from disposal of Assets as recommended by the Disposal committee.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Foreign Currency Exchange Gain

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Gain on Foreign Exchange Transaction	57,251	(2,264,668)
	<u>57,251</u>	<u>(2,264,668)</u>

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

13. Employee Costs

Description	2018-2019	RESTATED 2017-2018
	Kshs.	Kshs.
Basic Salaries	202,513,374	192,470,507
House Allowances	35,202,581	35,560,536
Other Allowances	6,577,881	7,958,796
Leave Allowances	4,480,000	4,156,834
Commuter Allowances	22,069,742	22,523,143
Staff Wages	106,097	5,305,851
Internship	548,548	1,247,615
Entertainment	393,871	400,000
Staff Training	89,043,531	128,273,058
Induction and Orientation	11,650	-
Pension Expenditure	50,570,404	40,797,011
Recruitment	3,700,236	1,070,954
Total Employee Costs	<u>415,217,915</u>	<u>439,764,305</u>

14. Board of Directors Costs

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Airfare	4,746,067	7,581,322
Allowance and Other Expense	29,986,259	32,011,026
Chairman's Honoraria	360,000	-
Total Board of Directors Costs	<u>35,092,326</u>	<u>39,592,348</u>

15. Purchase of Water & Electricity

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Water	890,446	863,487
Electricity	4,378,421	4,233,802
Total Purchase of Water and Electricity	<u>5,268,867</u>	<u>5,097,289</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Repairs and Maintenance

Description	2018-2019	RESTATED 2017-2018
	Kshs.	Kshs.
Motor vehicle and Boats	7,018,142	975,533
Computer	3,038,692	5,162,502
Building	2,287,927	2,061,554
Total Repairs and Maintenance	12,344,761	8,199,589

17. General Office Expenditure

Description	2018-2019	RESTATED 2017-2018
	Kshs.	Kshs.
Domestic and Overseas Air Travel	20,070,669	22,474,260
Duty Travel Allowances - Domestic and Foreign	44,452,868	69,794,866
Conference and Seminars	39,385,868	40,984,629
Advertising	1,946,879	6,914,650
Publicity & Awareness	28,018,261	78,162,055
Medical and Group Accident Cover	22,427,762	31,171,040
Office Rent	11,709,717	10,552,076
HIV and AIDs related Awareness	821,728	7,535,484
Transport Hire	10,087,533	9,783,652
Fuel Costs	3,642,485	2,887,499
Library Expenses	1,196,364	465,535
Club Fees	69,058	620,000
Research and Development	-	7,090,777
Community Support	3,819,538	2,980,834
Bank Charges & Commissions	34,241,616	35,512,474
Security Services	5,700,517	6,143,360
Audit Fees	1,400,000	1,400,000
Professional & Consultancy Fees	1,724,874	5,506,635
Insurance	7,720,395	4,628,698
Legal Fees	-	4,895,220
Marine Safety & Environment Protection	899,354	105,882
Office Incidentals	2,529,105	2,791,111
Uniform and Clothing	615,820	-
Office Carpet and Curtain Cleaning	6,304,157	6,289,332
Entertainment	1,405,910	2,897,557
Printing and Stationery	3,814,853	3,438,654
Bad and Doubtful Debts Provision Increase	7,583,767	-
Other Admin Expense	390,189	544,311
Communication Costs	11,467,939	8,987,350
Total General Expenditure	273,447,225	374,557,941

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. MLVMCT Project Costs	2018-2019	2017-2018
Description	Kshs.	Kshs.
Services	6,641,687	-
Project Management & Capacity Building	2,361,010	-
Total MLVMCT Project Costs	9,002,697	-

19. Depreciation and Amortization Expense

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Property, Plant and Equipment	36,664,270	36,644,899
Intangible Assets	3,115,405	4,144,963
Total Depreciation and amortization	39,779,675	40,789,862

20. Cash and Cash Equivalents

Description	2018-2019	RESTATED 2017-2018
	Kshs.	Kshs
Current Account	306,872,643	753,107,231
On-call Deposits	-	200,000,000
Treasury Bills < 3 Months	571,249,250	-
Others	30,085,489	35,874,615
Total Cash and Cash Equivalents	908,207,382	988,981,846

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

Financial Institutions	Account Number	2018-2019	2017-2018
		Kshs.	Kshs
a) Current Account			
KCB Current Account (Ksh)	1101575093	279,311,839	747,033,514
KCB Current Account (USD)	1167698452	4,517,022	1,806,082
KCB Current Account-Kisumu (Ksh)	1111688923	2,500	2,500
KCB Current Account-Lamu (Ksh)	1215829051	35,387	3,769
KCB Current Account-Lodwar (Ksh)	1218308931	9,734	16,880
KCB Current Account-MLVMCT (Ksh)	1224214544	13,413,062	-
NBK Current (USD)	02003057729100	8,723,699	3,423,916
Cooperative Bank of Kenya	01103445882000	859,400	820,570
Sub-Total		306,872,643	753,107,231
b) On-Call Deposits			
Kenya Commercial Bank		-	200,000,000
Sub-Total		-	200,000,000
c) Treasury Bills < 3 Months			
Central Bank of Kenya		571,249,250	-
Sub-Total		571,249,250	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (a). Detailed Analysis of the Cash and Cash Equivalents (Continued)

e) Others

Petty Cash-Mombasa Office		14,437	28,450
Petty Cash-Lamu Office		12,280	-
Petty Cash-Turkana Office		-	-
KCB Savings Account	1107477549	20,005,955	30,900,323
Outstanding Imprest-Staff		8,439,817	4,621,904
Outstanding Imprest-Directors		1,613,000	323,938
Sub-Total		30,085,489	35,874,615
Grand Total		908,207,382	988,981,846

21. Trade Receivable from Exchange Transactions

Description	RESTATED	
	2018-2019 Kshs.	2017-2018 Kshs
Trade	13,492,209	12,927,986
Interest receivable	8,123,705	28,610,157
Prepayments	22,962,535	26,022,740
Others non trade	52,561,795	150,827,971
Less: Provision for Doubtful debts	(11,644,824)	(4,061,057)
Total Trade Receivable from Exchange Transactions	85,495,420	214,327,797

22. Receivable from Non-Exchange Transactions

Description	RESTATED	
	2018-2019 Kshs.	2017-2018 Kshs
MS Levy Fees	116,785,865	119,220,818
Staff Debt	4,106,477	-
Salary Advance	466,570	876,950
Training Levy	5,332,867	-
Other	130,557	3,840
Total Receivable from Non-Exchange Transactions	126,822,335	120,101,608

23. Inventories

Description	RESTATED	
	2018-2019 Kshs.	2017-2018 Kshs
General Supplies	4,558,983	4,135,036
Publications & Library Books	293,868	356,972
Total Inventories	4,852,851	4,492,008

24. Mortgage Guarantees

Description	RESTATED	
	2018-2019 Kshs.	2017-2018 Kshs
House Loan Guarantee	184,173,878	183,024,777
Car Loan Guarantee	30,500,000	30,500,000
Total Mortgage Guarantees	214,673,878	213,524,777

Mortgage Guarantees Movement Schedule

	House Loan Guarantee	Car Loan Guarantee	Total
Description	Kshs	Kshs	Kshs
Balance as at 1st July 2018	183,024,777	30,500,000	213,524,777
Transfers	-	-	-
Interest Earned	1,149,101	-	1,149,101
Balance as at 30 June 2019	184,173,878	30,500,000	214,673,878

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Investments

Description	2018-2019	2017-2018
Investment in Treasury Bills	Kshs.	Kshs
Central Bank of Kenya:	-	383,251,600
Total Investments	-	383,251,600

26. Intangible Assets

	<u>Intangible Assets</u>	<u>WIP</u>	<u>Total</u>
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
As at 30 June 2018	75,546,758	2,462,100	78,008,858
Additions	5,222,900	-	5,222,900
Transfer	2,462,100	(2,462,100)	-
As at 30 June 2019	83,231,758	-	83,231,758
As at 30 June 2018	70,449,469	-	70,449,469
Prior Year Adjustment	4,543,551	-	4,543,551
As at 30 June 2018-Adjusted	74,993,020	-	74,993,020
Charge for the year	3,115,405	-	3,115,405
As at 30 June 2019	78,108,425	-	78,108,425
NBV as at 30 June 2019	5,123,333	-	5,123,333
NBV as at 30 June 2018	553,738	2,462,100	3,015,838

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Property, Plant and Equipment

Assets	Leasehold Land	Land & Building	Motor vehicles	Computers & IT Equipment	Furniture & Equipment	Capital in Progress	Total
Cost or Valuation	Kshs		Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2017	203,097,950	39,628,787	54,600,336	65,938,527	133,032,556	50,916,014	547,214,170
Disposal	-	-	-	-	-	-	-
Additions	-	-	12,228,300	4,944,815	45,739,283	648,980,761	711,893,159
Re allocation	-	(619,940)*	-	-	-	-	(619,940)
As at 30 June 2018	203,097,950	39,008,847	66,828,636	70,883,342	178,771,839	699,896,775	1,258,487,389
Disposal	-	-	(1,880,000)	-	-	-	(1,880,000)
Additions	-	-	-	1,013,086	1,364,936	535,385,326	537,763,348
Re allocation	-	-	-	-	-	-	-
As at 30 June 2019	203,097,950	39,008,847	64,948,636	71,896,428	180,136,775	1,235,282,101	1,794,370,737
Depreciation and impairment							
As at 1 July 2017	-	-	29,283,919	54,063,865	67,370,697	-	150,718,481
Disposal	-	-	-	-	-	-	-
Charge for the year	-	-	10,662,263	7,633,703	18,348,933	-	36,644,899
Adjustments	-	-	-	-	-	-	-
As at 30 June 2018	-	-	39,946,182	61,697,568	85,719,630	-	187,363,380
Disposal	-	-	(1,880,000)	-	-	-	(1,880,000)
Charge for the year	-	-	10,662,264	7,877,465	18,124,541	-	36,664,270
Adjustments	-	-	-	-	-	-	-
As at 30 June 2019	-	-	48,728,446	69,575,033	103,844,171	-	222,147,650
Net Book values							
As at 30 June 2019	203,097,950	39,008,847	16,220,190	2,321,395	76,292,604	1,235,282,101	1,572,223,087
As at 30 June 2018	203,097,950	39,008,847	26,882,454	9,185,774	93,052,209	699,896,775	1,071,124,009

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Property, Plant and Equipment (Continued)

As at close of financial year assets amounting to Kshs 214,125,725 were fully depreciated as indicated in the table below:

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	NBV
Motor Vehicles	22,129,288	22,129,288	-
Computers	65,938,526	65,938,526	-
Furniture & Equipment	50,511,153	50,511,153	-
Software	75,546,758	75,546,758	-
TOTAL	214,125,725	214,125,725	-

28. Trade and other payables from exchange transaction

Description	2018-2019	RESTATED 2017-2018
	Kshs.	Kshs.
Trade Payables	57,480,274	231,497,289
Audit Fees Payable	1,400,000	1,400,000
Staff payables	4,574,666	108,715
Statutory	6,414,985	1,340,570
Other payable	96,294,057	79,272,475
Total	166,163,982	313,619,049

29. Gratuity

Description	2018-2019	2017-2018
	Kshs.	Kshs.
As at 1 July	5,090,506	5,846,813
Charge for the Year	3,987,300	2,793,350
Payment during the Year	(3,365,299)	(3,549,657)
As at 30 June	5,712,507	5,090,506

30. Surplus Funds Payable

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Surplus Funds Payable	175,871,361	667,331,223
Total	175,871,361	667,331,223

30 (a) Surplus Funds Payable Movement Schedule

Description	2018-2019	2017-2018
	Kshs.	Kshs.
As at 1 July	667,331,223	667,331,223
Realized Surplus Funds Provision	170,885,741	-
Payment during the year	(662,345,603)	-
As at 30 June	175,871,361	667,331,223

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 (b) Provision of Surplus Funds to the National Treasury

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Surplus for the Year	732,859,293	683,647,129
Less: Purchase of Assets	(542,986,248)	(708,997,470)
Less: Oil Spill & SAR Fund Transfer	-	(30,000,000)
Less: Mortgage & Car Loan Guarantees	-	(55,000,000)
Realized Surplus Funds	<u>189,873,045</u>	<u>(110,350,341)</u>
90% of Realized Surplus Funds	170,885,741	-

31. Deferred Government Grant

Description	2018-2019	2017-2018
	Kshs.	Kshs.
National Government	<u>20,407,284</u>	<u>25,509,105</u>
Total Deferred Government Grant	<u>20,407,284</u>	<u>25,509,105</u>

The deferred Government Grant movement is as follows:

	National Government
Balance brought forward	25,509,105
Additions	-
Transfers to Capital fund	-
Transfers to income statement	(5,101,821)
Other transfers	-
Balance carried forward	20,407,284

32. Receipt of GOK Project Funds

Description	2018-2019	2017-2018
	Kshs.	Kshs.
MLVMCT Project	<u>2,092,732</u>	<u>-</u>
Total	<u>2,092,732</u>	<u>-</u>

During the year, Kenya Maritime Authority received KShs. 2.09Million from Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works for Multinational Lake Victoria Maritime Communication & Transport (MLVMCT) Project.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Receivables from exchange transactions	97,140,244	77,312,920	19,827,324	-
Receivables From Non Exchange Transactions	126,822,335	126,822,335	-	-
Bank balances	908,207,382	908,207,382	-	-
Total	1,132,169,961	1,112,342,637	19,827,324	-
At 30 June 2018				
Receivables from exchange transactions	214,327,797	183,065,271	31,262,526	-
Receivables From Non Exchange Transactions	120,101,608	120,101,608	-	-
Bank balances	988,981,846	988,981,846	-	-
Total	1,323,411,251	1,292,148,725	31,262,526	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. FINANCIAL RISK MANAGEMENT (Continued)

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

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	33,118,166	8,003,088	16,305,165	57,426,419
Provisions	203,858,755	-	86,408,821	290,267,576
Deferred Government Grant	-	-	20,407,284	20,407,284
Total	236,976,921	8,003,088	123,121,270	368,101,279
At 30 June 2018				
Trade payables	209,200,647	6,547,492	15,749,150	231,497,289
Provisions	47,340,473	21,667,043	697,641,465	766,648,981
Deferred Government Grant	-	-	25,509,105	25,509,105
Total	256,541,121	28,214,535	738,899,720	1,023,655,375

(iii) Market risk

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

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

33. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

a) Foreign currency risk

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets(investments, cash ,debtors)	1,076,008,217	25,284,558	1,101,292,775
Liabilities			
Trade and other payables	56,988,493	437,926	57,426,419
Net foreign currency asset/(liability)	1,019,019,724	24,846,633	1,043,866,356

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets(investments, cash ,debtors)	1,637,988,865	16,714,715	1,654,703,580
Liabilities			
Trade and other payables	230,137,710	1,359,579	231,497,289
Net foreign currency asset/(liability)	1,407,851,155	15,355,136	1,423,206,291

33. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2019			
USD	10%	2,484,663	2,484,663
2018			
USD	10%	1,535,514	1,535,514

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 9,082,074 (2018: KShs 9,889,818). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 45,410,369 (2018 – KShs 49,449,092).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	4,373,470	6,253,470
Retained earnings	2,238,098,248	1,674,244,696
Capital reserve	76,771,434	76,771,434
Specific reserves	230,000,000	230,000,000
Total funds	2,549,243,152	1,987,269,600
Total borrowings	0	0
Less: cash and bank balances	908,207,382	988,981,846
Net debt/(excess cash and cash equivalents)	(908,207,382)	(988,981,846)
Gearing	0%	0%

34. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. RELATED PARTY BALANCE (Continued)

	2019	2018
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from National Government	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages	-	-
Payments for goods and services	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	20,466,770	23,268,594
Compensation to the CEO	4,919,689	-
Compensation to key management	27,049,800	28,109,729
Total	52,436,259	51,378,323

35. CAPITAL COMMITMENTS

Capital commitments	2018-2019	2017-2018
	Kshs	Kshs
Authorised and contracted for	1,856,908,946	1,904,239,939
Total	1,856,908,946	1,904,239,939

36. DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority remitted Kshs 662,345,603.10 surplus on Audited financial statements for the period FY2012/2013 to FY2016/2017.

37. EVENTS AFTER THE REPORTING PERIOD

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

38. ULTIMATE AND HOLDING AUTHORITY

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

39. CURRENCY

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1.0	The financial statements for the year ended 30 June 2018 omitted Report of the Independent Auditors on Kenya Maritime Authority on the table of contents.	Management shall ensure thorough document review to ensure compliance with the relevant standards	Mr. Julius Ogutu Financial Accountant	Resolved	N/A
2.0	Merchant shipping levy variance of Kshs.4,829,690 was not explained or reconciled. Further, no system was in place for determining the amount of levy collectible by Kenya Revenue Authority. No evidence availed to confirm that the KRA reports are verified against the manifests.	The Management has put in place a comprehensive framework for reconciling MS fees collected by KRA using Cargo Manifests, Customs Declaration Data and submitted Bank Transactions.	Mr. John Omingo Head of Commercial Shipping	Not Resolved	March 2020
3.0	No explanations as to why Kenya Maritime Authority incurred Kshs.8,003,410 on behalf of the Ministry of Housing, Infrastructure and Urban Development officers.	The expense was incurred during the International Maritime Organization Council, Committee and Sub-committee meetings.	Mr. Henry Mwasaru Ag. Human Resource & Administration Manager	Resolved	N/A
3.2	Payment without preparation of a payment voucher, quotations, tender evaluation and award minutes and evidence of services rendered. Further, no records were availed to confirm authorization of	The matter is before the Board Audit & Risk Assurance Committee.	Ms. Jane Florence Otieno Corporation Secretary & Head Legal Services	Not Resolved	June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	<p>remittance of the funds to the law firm. No evidence to confirm that the Authority sought approval and concurrence of the Attorney General before procuring private legal services as required by the Attorney-General Circular Ref. AG/CONF/6/E/247 VOL.II of 16 April 2014.</p>				
3.3	<p>Details of the specific support activities conducted and the target beneficiaries not provided. Expenditure was not supported by attendance lists for the conferences and evidence of travel for the activities conducted across the country.</p>	<p>The activities were carried out in line with the MAISHA 2 reporting tool. The Authority has since stopped the undertaking activities that will engage service providers – HTC (HIV Testing and Counselling) counselors, nurses and laboratory Technicians (quality assurance officers).</p>	<p>Mr. Henry Mwasaru Ag. Human Resource & Administration Manager</p>	Resolved	N/A
3.4	<p>Consultancy services to review and develop a strategic plan and an organizational structure were not offered within two (2) months as contracted. However, as at the time of audit in the month of February 2019 the service provider had not finished the work.</p>	<p>The Authority has paid 70% of the contract price which were as per deliverables achieved. Since the contract lapsed, management is currently working on finalizing the strategic plan and</p>	<p>Ms. Jane Florence Otieno Corporation Secretary & Head Legal Services</p>	Resolved	N/A

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		organization structure.			
5.2	Lunch allowances paid in addition to accommodation and subsistence allowances to Directors, contrary to Public Service Commission Human Resources Policies, 2016, Clause C.17(1)	The Authority has stopped payment of lunch allowance to Directors who have been paid subsistence allowance.	Ms. Jane Florence Otieno Corporation Secretary & Head Legal Services	Resolved	N/A
5.1	Mechanical inspection reports, purchase requisitions by the user departments, motor vehicle service log books and post repair inspection reports were not availed for audit review.	Management has noted that all motor vehicles should be taken to state department of Public Works for pre and post inspections with normal servicing to be carried out by the dealers. This information has been disseminated to responsible officers	Mr. Henry Mwasaru Ag. Human Resource & Administration Manager	Resolved	N/A
5.2	Quotations for painting of Lamu office were sent five (5) months earlier than the purchase requisitions	The painting of Lamu office was initiated vide EDMS approval of 21 st February, 2017. The officers in Lamu were requested to carry out a market survey in a bid to identify service providers for such works who are based in Lamu and the applicable rates. These were submitted by 13 th March, 2017. The purchase requisition no. 00916 was done	Mr. Seth Oluoch Ag. Procurement Manager	Not Resolved	September 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		to compliment the approved EDMS memo.			
6.0	Bank reconciliation statement indicated payments not yet recorded in cashbook of Kshs.4,344,000 described as legal fees.	Payments are usually done after necessary/relevant documentation and approvals are done as stipulated in the Authority's Finance Manual. The Board's Audit Committee is conducting a review and further investigation on how the bank got instruction to transfer the money before the necessary internal approvals and documentation were in place.	Ms. Jane Florence Otieno Corporation Secretary & Head Legal Services	Not Resolved	June 2020
7.1	Debts of Kshs.6,604,812 had not been collected nor was evidence availed to confirm that the same had been referred to an agency for collection as provided in the credit policy	Management have designated Account in charge of receivables to accompany vessel inspectors to collect debts. Customers are also being issued with Proforma Invoices for payment before service is offered.	Mr. Cosmas Cherop Chair Credit Committee	Resolved	N/A
7.2	Project for the Supply, review, upgrade, installation and support of ERP system and integration with EDMS and other systems.	Management has instituted follow up of the refund through the Legal Department.	Mr. Alphonse Kioko ICT Manager	Not Resolved	June 2020
7.3	Management did not provide details of how the provision for	Credit Committee maintained the previous year	Mr. Cosmas Cherop Chair	Resolved	N/A

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	doubtful debts was arrived at, contrary to the Authority's credit policy.	provision for doubtful debts of Kshs 4,061,057. Committee considered the cost benefit of involving a Debt collector as stipulated in the policy but due to inadequate contact details of the debtors this was considered ineffective.	Credit Committee		
	The head of procurement's professional opinion done before receiving land valuation report.	The valuation report was confirmed to be dated 31st May, 2016 and the valuation was carried out on 27th May, 2016. The professional opinion was thus done on 10th June, 2016 hence not misleading.			
8.1	The selected plots had been identified before the advertisement for expression of interest. Kisumu land was expected to measure 1 acre and within the vicinity of the port. However, the tender was awarded to a bidder whose land measured 0.8 acres.	The Authority in a bid to identify suitable lands for purchase conducted a survey in August, 2014. The parcels identified were in general areas only identified as suitable. Valuation of land could only be done upon expression of interest from a willing seller with a copy of title and search report.	Mr. Seth Oluoch Ag. Procurement Manager	Not Resolved	September 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
8.2	The registered lease for plot reference Mombasa Mbaraki MSA/ XLVIII/128 was not availed for audit review.	The Authority availed the Sale Agreement dated 15th December, 2014, the registered Transfer of lease dated 23rd December, 2014 and the Head Lease dated 14th December, 1971 which all stipulate the rights and obligations of the Authority under the Lease Agreement.	Ms. Jane Florence Otieno Corporation Secretary & Head Legal Services	Resolved	N/A
9.1	Management did not recover the overpayment of Kshs 9,706,352 on the first application for payment by the contractor	The difference in advance payment of Kshs 9,706,352 was recovered on 28/05/2019 during the settlement of Interim Certificate number 8.	Mr. Alphonse Kioko HQ Project Coordinator	Resolved	N/A
9.3	Payment for particular preliminaries (PP10) ground breaking ceremony at a cost of Kshs.3,500,000 which was paid in full plus 15% or Kshs.525,000 profit without production of evidence of actual costs incurred. General preliminaries (GP/10) of the bills of quantities provided for performance security of Kshs.6,075,000 which was also paid.	The payments were made as interim payments which are subject to confirmation during final accounts. The Authority has notified the Works secretary its intention to recover the full amounts paid to the contractor if they are not justified.	Mr. Alphonse Kioko HQ Project Coordinator	Not Resolved	December 2019
9.4	Construction materials were not held at the	The site could not hold all the	Mr. Alphonse Kioko	Not Resolved	October 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	construction site nor in custody or under security of the Authority. Further, approved reports on the quantities of materials paid for were not availed for audit review.	materials as the whole site had been excavated at the time. It was agreed in the site meeting (No. 3 item 3.6.4) that materials to be held off site. Records are kept by the Clerk of Works for the materials brought to the site.	HQ Project Coordinator		
9.5	Payments for rent amounting to Kshs.2,070,000, being cost incurred to temporarily resettle tenants of reef apartment building. Capitalization of the rent expense is contrary to International Public Sector Accounting Standard No. 17 Paragraph 30.	The Authority followed up with Lins Consultant and the contractor has been informed to pursue a claim of the rent paid to resettle the tenants of Reef Apartments through the Contractor All Risk insurance policy number 01/01/020/00291/2017. The amount paid in respect to the rent for the period shall be recovered from the next valuation.	Mr. Alphonse Kioko HQ Project Coordinator	Resolved	N/A
9.6	Measurement details of the actual piling and information regarding the number and depth of each pile were not availed for audit confirmation. Further, measurements on site were not provided to confirm whether amount paid was in line with the provision of the Bill of Quantity.	A report of the measurement has been provided as requested	Mr. Alphonse Kioko HQ Project Coordinator	Resolved	N/A

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
9.7	Installation of lift was awarded to one of the bidding firms which due diligence report indicates that the company is owned by non-Kenyan citizens and no preference was provided in the bid document, contrary to Section 3(i) of the Public Procurement and Asset Disposal Act, 2015, Section 155(3) b, and Section 157(8).	There are no manufactures of lifts in Kenya. The companies which participated with local shareholding were middle men and were more expensive than manufactures. Lift is a Special Services which require assurance of guaranteed maintenance services. Employer felt guaranteed by the company Kone – among the tenderers.	Mr. Seth Oluoch Ag. Procurement Manager	Not Resolved	September 2019
10.0	Financial statements for the Car Loan & Staff Mortgage schemes were not submitted to the Auditor-General for audit, contrary to Section 81(1 & 4) of the Public Finance Management Act, 2012	Management appointed a technical committee to review the Car Loan & Staff Mortgage schemes with a view to ensure the schemes are properly established and anchored in relevant legal instruments (Policies & legislation)	Mr. Julius Ogutu Financial Accountant	Not Resolved	September 2020
11.0	Creditors balance confirmation letters sent to five (5) creditors with outstanding balances amounting to Kshs.12,808,769 were not responded to.	The Authority facilitated the circularization of the sampled creditors through email with clear instructions to the vendors to provide the	Mr. Julius Ogutu Financial Accountant	Not Resolved	September 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		required information.			
12.0	Management did not avail information and records indicating how eighteen (18) interns were recruited, vetted and enrolled for the program.	Information and records indicating how the interns were recruited, vetted and enrolled for the program have been availed for review.	Mr. Henry Mwasaru Ag. Human Resource & Administration Manager	Resolved	N/A


Director General



Date.....

06/01/2020

Chairman of the Board



Date.....

06/11/2020

APPENDIX II: PROJECTS IMPLEMENTED BY KENYA MARITIME AUTHORITY

Projects

Project Title	Project Number	Donor	Period/Duration	Donor Commitment	Separate Donor reporting required as per the Donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Multinational Lake Victoria Maritime Communication and Transport		AFDB	4years		Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of Funds
1	Construction of KMA Headquarters	1,728M	1,235M	71.5%	537M	535M	KMA
2	Multinational Lake Victoria Maritime Communication and Transport	529M	9M	1.7%	140M	9M	AFDB

APPENDIX III: INTER-AUTHORITY TRANSFERS

ENTITY NAME:		KENYA MARITIME AUTHORITY		
Break down of Transfers from the State Department for Transport				
FY 2018/2019				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		09 Nov 2018	2,092,732	2018/2019
		Total	-	
c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A
d. Donor Receipts				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A

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

Finance Manager
Kenya Maritime Authority

pp
Sign _____

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

Sign-----

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

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year	
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables		Others - must be specific
Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works	09 November 2018	Development	2,092,732	-	2,092,732	-	-	-	2,092,732
Total			2,092,732	-	2,092,732	-	-	-	2,092,732

