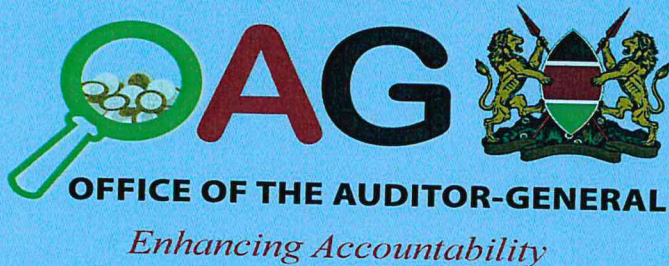



REPUBLIC OF KENYA



REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 FEB 2021 DAY: 1	
TABLED BY:	Majority Whip
CLERK-AT-THE-TABLE:	Finlay Mumburi

OF

THE AUDITOR-GENERAL

ON

KENYA MARITIME AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2020**



KENYA MARITIME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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 *“A world class administration, leading Kenya’s transformation into a globally competitive maritime nation”* and the Mission is to *“Effectively Regulate, Coordinate and Oversee maritime affairs in Kenya for sustainable development”*.

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 2020 and who had direct fiduciary responsibility were:

No.	DESIGNATION	NAME
1.	Director General	Maj. (Rtd) George N. Okong'o
2.	Ag. Head of Maritime Safety	Mr. Luke Samba
3.	Corporation Secretary & Head of Legal Services	Ms. Jane F. Otieno
4.	Head of Commercial Shipping	Mr. John Omingo
5.	Head of Corporate Support Services	Mr. Cosmas Cherop

(e) Fiduciary Oversight Arrangements

Finance and Human Resource Committee

The committee's activities include;

- 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;
- Monitor expenditure and provide quarterly reports to the Board confirming that all expenditure is within the estimates approved by the Board;
- Developing a human resource policies consistent with the changing needs of KMA.

Technical and Operations Committee

The committee's activities include;

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

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

Audit Committee

The committee's activities include;

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

Governance and Integrity Committee

The committee's activities include;

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

(a) Kenya Maritime Authority Headquarters

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

(b) Contacts

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

(c) Bankers

- i. Kenya Commercial Bank
Kilindini Branch
P O Box 90300
Mombasa.
- ii. Kenya Commercial Bank
Kisumu Branch
P. O. Box 4117-40100
Kisumu.
- iii. National Bank of Kenya
P. O. Box 87770-80100,
Mombasa.
- iv. Kenya Commercial Bank
P.O Box 4087
Lamu.
- v. Kenya Commercial Bank
P.O Box 4021
Lodwar.
- vi. Equity Bank
Moi Avenue Branch
P. O. Box 84618-80100
Mombasa.
- vii. Cooperative Bank of Kenya,
Nkurumah Road Branch,
P.O Box 87771 – 80100,
Mombasa.
- viii. Family Bank of Kenya,
Nkurumah Road Branch,
P.O Box 81630-80100

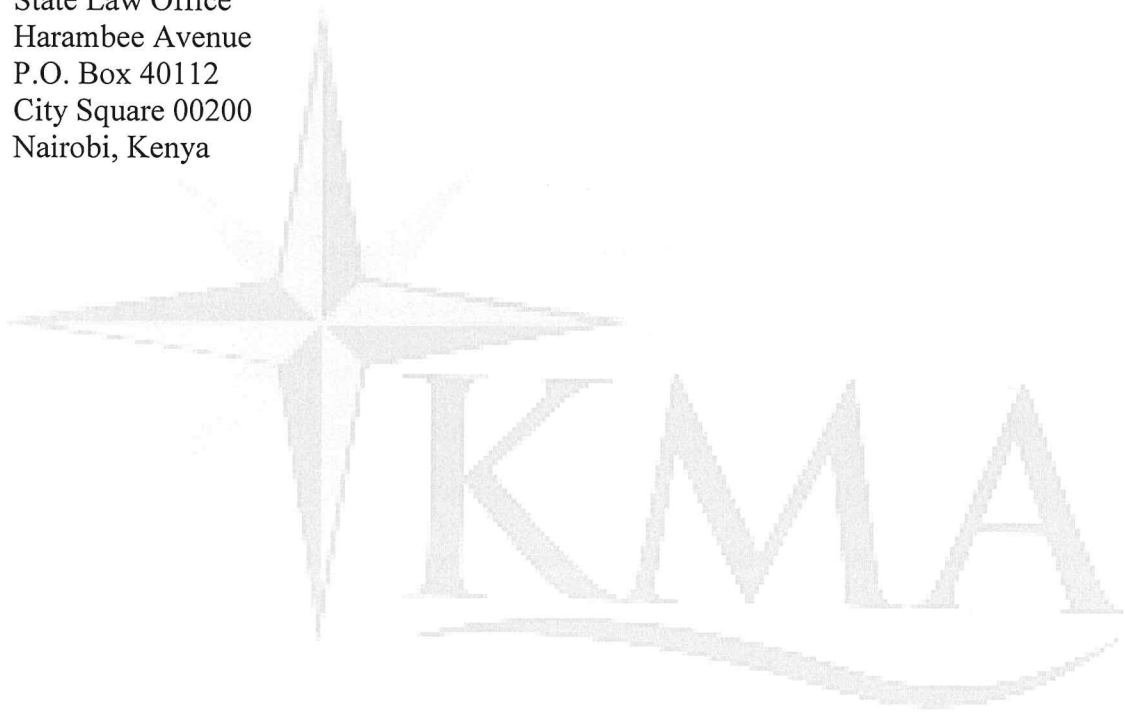
Mombasa.

(d) Independent Auditors

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

(e) Principal Legal Adviser

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



II. THE BOARD OF DIRECTORS

The Directors who served during the period under review are:

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



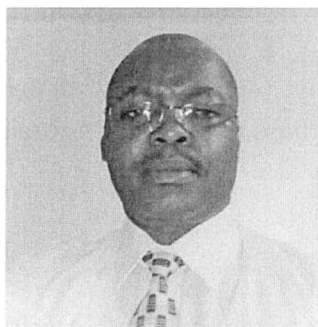
Mr. Geoffrey Mwangoo
Chairman,
Board of Directors-KMA



Justice Paul Kihara Kariuki
Attorney General



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



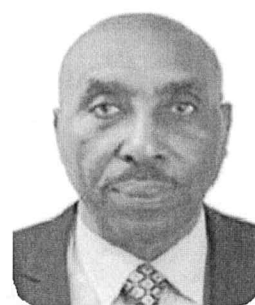
Mr. Daniel M. Ndolo
Alternate Director to the Cabinet Secretary
National Treasury



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



Mr. Charles Mutinda
Alternate Director to the Attorney General



Rev. Joseph Kariuki Gatimu
Director



Eng. Charles Kombe Charo
Director



Mr. John Gerin Msafari
FICS, CRG (Gambia)



Ms. Roselyn V. Amadi
Director



Salaah S. Balala
Director



Ms. Malika Omar
Director



Major (Rtd) George Nyamoko Okong'o
Director General



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



Mr. Geoffrey Mwango
Chairman

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

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

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



Ms. Malika Omar
Director

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

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

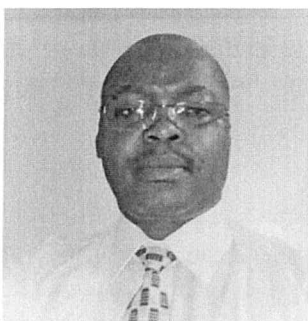


Mr. Adan Harakhe is an alternate member of the Board to the Principal Secretary, State Department for Shipping and Maritime, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works - Mrs. Nancy N. Karigithu, CBS.

District and has been response in the upgrading of empowerment Programmes and projects.

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

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



also served as senior advisor public policy, public debt, engagement.

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

Mr. Daniel M. Ndolo is an Alternate member of the Board of Directors of the Kenya Maritime Authority representing the Cabinet Secretary National Treasury and Planning – Hon. (Amb.) Ukur Yatani. Mr. Ndolo has over 25 years' experience working in public sector institutions in Kenya. He has expertise in corporate governance; capital market operations, debt market development, projects management, financial risk management and stakeholder management. He has to senior public sector officials in public investments and stakeholder

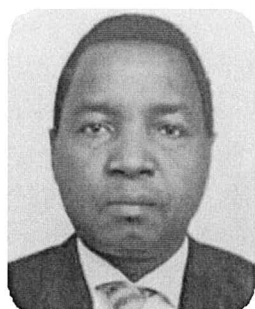


Mr. Charles Mutinda
Alternate Director to the Attorney General

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.

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

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)
Director

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 Ordnance 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.



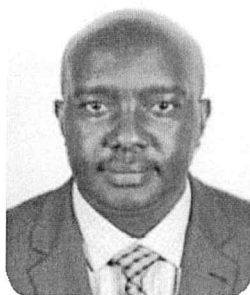
**Mrs. Jane Florence
Otieno**
*Corporation Secretary and Head of Legal
Services*

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.

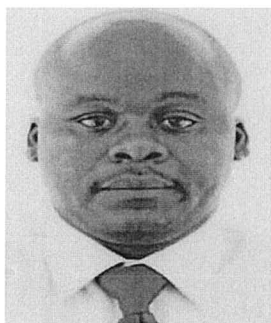
Mrs. Otieno is a member of WOMESA, the Federation of Women Lawyers of Kenya, Law Society of Kenya, Institute of Certified Public Secretaries, Notary Public and Commissioner for Oaths.

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.



Mr. Fredrick Luke Samba
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 am pleased to present to you the annual financial report for the year 2019/2020, prepared pursuant to the Public Finance Management Act, 2012 and the Kenya Maritime Authority Act, 2006 and in line with international standards. The report reflects the Authority's performance, during the stipulated period and is in line with the functions and objectives as stipulated in the Kenya Maritime Authority Act, 2006 and the Strategic plan 2018-2022.

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

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

Our Mission to ensure sustainable, safe, secure, clean and efficient water transport for the benefit of all our stakeholders is achieved through frequent engagement with our stakeholders at all levels.

KMA in the financial year 2019/2020 accomplished major milestones in line with its mandate under the Merchant Shipping Act. Below are some of the milestones:

1. Progressed in the construction of the KMA headquarters;
2. Inspection of vessels in the littoral and inland waters to ensure safety of life at sea and adherence to international standards and obligations;
3. Advised government on legislative and other measures necessary for the implementation of maritime- related Conventions, treaties and other agreements to which Kenya is a party;
4. Sustained its role in transport service efficiency monitoring and evaluation as the Secretariat to the Mombasa Port and Northern Corridor Community Charter
5. In a bid to domesticate International Conventions that Kenya is a party to, several Regulations have been drafted; and
6. Formulation of a land- based educational curriculum for the shore- based human resource in the maritime industry.

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

We have partnered with educational institutions to build a qualified credible workforce, recognized in the specialized Maritime world in which we operate in.

Kenya Maritime Authority continues to participate and facilitate stakeholder participation as highlighted by the several workshops, conferences and sponsorships undertaken during the period.


CHAIRMAN

BOARD OF DIRECTORS

KENYA MARITIME AUTHORITY

V. REPORT OF THE DIRECTOR GENERAL

The Kenya Maritime Authority Annual Report and Financial Statements for 2019/2020 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.

I. 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, and is currently 85% complete. It is expected to be completed in the financial year 2020-21.

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 has conducted enhanced safety compliance campaigns in Lamu, Homabay, Kisumu and Shimon County, resulting in increased number of boat inspection requests and overall sensitization of the rules and regulations governing the sea.

Under the Port State Control regime there was an increase in 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.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

In the financial year 2019/2020 the PSCO managed to inspect 247 ships. The Authority has continued during the period continued to improve compliance and have issued Local Safety Certificate and License to duly inspected vessels.

The Authority, in collaboration with relevant agencies initiated the establishment of the National Wage Council for Seafarers, aimed at establishing a wage standard for Seafarers. The Authority also continues to implement programmes to ensure the quality of maritime education and training is maintained as required by the STCW Convention. The Authority also continues to collaborate with other Government agencies to avail shipboard training and employment opportunities to Kenyan Seafarers.

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

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 2019/2020 the Authority supported 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.

In the period 2019/2020 approximately 1,182 Certificates of Basic Safety Training (BST) for Seafarers issued were issued.

4. 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.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

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.

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 and reports duly shared with the respective Port facilities for action.

The Authority facilitated a preparatory visit ahead of the biennial ISPS audit Technical Assistance visit by the United States Coast Guard (USCG). The Authority actively 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.

Trainings on the ISPS Code implementation was also done; the Authority reached out to the IMO and succeeded in securing Technical Assistance trainings on ISPS code implementation.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

7. Prevention of Ship-source Marine Pollution

The Authority has been in the forefront in the organizing of a technical committee 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 which has resulted in the development of 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.

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.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

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.

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.

V. REPORT OF THE DIRECTOR GENERAL (Continued)

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.

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.

II. Financial Performance

In the year under review the Authority collected a total of Kshs 1.58 Billion in terms of revenue as compared to Kshs. 1.52 Billion from the previous year. This translates to 4% improvement.

Operation Surplus grew from Kshs. 734 Million to Kshs. 761 Million from the previous year. This is 4% positive growth due to restrict monitoring of collection process and applicable business rules.



Maj. (Rtd) George N. Okong'o

DIRECTOR GENERAL

VI. REVIEW OF KENYA MARITIME AUTHORITY PERFORMANCE

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

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

Pillar 1: Maritime Education and Training

Pillar 2: Seafarers' welfare

Pillar 3: Maritime Safety and Security

Pillar 4: Marine Environment

Pillar 5: Maritime Trade Facilitation and Development

Pillar 6: KMA Institutional Governance

Kenya Maritime Authority develops its annual work plans based on the above 6 pillars. Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2019/2020 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Maritime Education and Training	Develop Human Resource Capacity	Regulations	Develop regulations on Maritime Labour	Regulations drafted
		Operationalized Fund	Establish youth fund and HELB programme for support of seafarers training.	Process initiated
Pillar 2: Seafarers' welfare	Enhance employment and improve welfare of Kenyan seafarers	Policy	Develop Seafarer Repatriation Policy	Repatriation Policy drafted
		Audit reports	Audit recruitment agencies and medical practitioners	6 recruitment agencies and 7 medical practitioners audited
Pillar 3: Maritime Safety and Security	Enhance Safety of small vessels/boats	Inspection reports	Undertake inspection/ survey of small vessels.	439 vessels inspected
	Expand Radio communication	Infrastructure	Develop SAR Plan	Not done due to COVID-19

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	provided and Search and Rescue infrastructure			pandemic
	Comply with Port State Control obligations	Ship inspection reports	Inspect 25% of ships calling at the port of Mombasa	4% of ships inspected
	Enhance Flag State Implementation	Recognized Organization (RO) agreements	enter into agreement with new ROs	Not done due to COVID-19 pandemic
		Regulations and procedures	Develop Flag State regulations and procedure in place	Regulations developed
Pillar 4: Marine Environment	Prevent Ship source Marine Pollution	Updated Plan	Update National Oil Spill Contingency Plan	Partly done due to COVID-19 pandemic
	Review guidelines, manuals for oil spill prevention	Reviewed guidelines and manuals	Review guidelines, manuals for oil spill prevention	Not done due to COVID-19 pandemic
	Enhance Maritime Security	SECO port facility plan	Develop Port Facility Security Plan (PFSP) for SECO port facility	Not completed due to COVID-19 Pandemic
Pillar 5: Maritime Trade Facilitation and Development	Support Blue Economy Initiatives	Maritime Information System	Implement Maritime Data Bank Project	Concept note submitted to line ministry and National Treasury
	Regulate Maritime transport services	Amended KMA Act	Amend KMA Act to include cabotage	Amendments drafted
Pillar 6: KMA Institutional Governance	Strengthen institutional capacity	Reviewed Strategic Plan	Review KMA's Strategic Plan	Review Finalized
		ERP System and web Portals	Acquire web-based ERP and develop business portals	Commenced in May 2020

VII. 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 alia* includes, to:

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

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

Performance Evaluation and Governance Audit

The Board conducts an annual self – evaluation process to measure its own performance, to ensure that it is constantly adhering to the objectives and mandate of the Authority. The last Board evaluation was last conducted by S.C.A.C on the 4th February, 2020. The Director General is an ex officio member of the Board and is accountable to the Board for the management of the Authority as prescribed in the Act and more specifically in the 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 commissioned the Kenya School of Law to conduct a Legal and Governance Audit which commenced on 8th May, 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 2019/2020 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 Ngombo Mwango	Chairman	5	5	100%
2.	Ms. Malika Omar	Director	5	5	100%
3.	Mr. Francis Mubia Muraya	Alternate Director	5	4	80%
4.	Mr. Hezbourne Obongo	Alternate Director	5	1	20%
5.	Mr. Charles Mwanzia Mutinda	Alternate Director	5	3	60%
6.	Eng. Charles Kombe Charo	Director	5	5	100%
7.	Rev. Joseph Kariuki Gatimu	Director	5	5	100%
8.	Mr. John Gerin Msafari	Director	5	4	80%
9.	Mr. Salaah S. Balala	Director	5	5	100%
10.	Ms. Roselyn V. Amadi	Director	5	5	100%

b) Special Board Meetings

A total of 7 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	7	7	100%
2.	Ms. Malika A. Omar	Director	7	6	86%
3.	Mr. Francis M. Muraya	Alternate Director	7	6	86%
4.	Mr. Hezbourne Obongo	Alternate Director	7	1	14%
5.	Mr. Charles M. Mutinda	Alternate Director	7	3	43%
6.	Eng. Charles K. Charo	Director	7	7	100%
7.	Rev. Joseph K. Gatimu	Director	7	6	86%
8.	Mr. John G. Msafari	Director	7	7	100%
9.	Mr. Salaah S. Balala	Director	7	6	86%
10.	Ms. Roselyn V. Amadi	Director	7	7	100%
11.	Mrs. Nancy Karigithu	PS	7	4	57%

c) Finance and Human Resource Committee Meetings

During the period under review the FHRC held a total of Seven (7) meetings. The attendance to the meetings during the period when members were appointed are as summarised below;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Rev. Joseph Kariuki Gatimu	Chair	7	6	86%
2.	Ms. Malika Ali Omar	Member	7	7	100%
3.	Eng. Charles Kombe Charo	Member	7	7	100%
4.	Mr. Charles Mwanzia Mutinda	Member	7	4	57%
5.	Mr. Hezbourne Mackobongo	Member	7	1	14%
6.	Mr. Francis Muraya	Member	7	6	86%

VI. CORPORATE GOVERNANCE STATEMENT (Continued)

d) Technical And Operations Committee Meetings

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

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Eng. Charles Kombo Charo	Chair	4	4	100%
2.	Mr. Salaah S. Balala	Member	4	4	100%
3.	Ms. Roselyn V. Amadi	Member	4	4	100%
4.	Mr. John G. Msafari , FICS, CRG	Member	4	4	100%
5.	Mr. Francis Muraya	Member	4	3	75%
6.	Mr. Hezbourne Mackobongo	Member	4	1	25%
7.	Mr. Charles Mwanzia Mutinda	Member	4	2	50%

e) Governance and Integrity Committee Meetings

During the period under review the GIC held a total of three (3) meetings. The attendance to the meetings during the period when members were appointed are as summarised below;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Ms. Roselyn V. Amadi	Chair	3	3	100%
2.	Ms. Malika Ali Omar	Member	3	3	100%
3.	Mr. Francis Muraya	Member	3	3	100%
4.	Rev. Joseph Gatimu	Member	3	3	100%
5.	Mr. Charles Mwanzia Mutinda	Member	3	2	67%
6.	Mr. Heszbourne O Mackobongo	Member	3	1	33%
7.	Ms. Roselyn V. Amadi	Chair	3	3	100%

f) Audit and Risk Assurance Committee Meetings

During the period under review the Audit and Risk Assurance Committee held a total of Seven (7) meetings. The attendance to the meetings during the period from the time when members were appointed are as summarised below;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. John G. Msafari, FICS, CRG	Chair	7	7	100%
2.	Ms. Roselyn V. Amadi	Member	7	6	86%
3.	Mr. Salaah S. Balala	Member	7	7	100%
4.	Mr. Hezbourne Mackobongo	Member	7	1	14%
5.	Mr. Charles Mwanzia Mutinda	Member	7	2	29%
6.	Mr. Francis Muraya	Member	7	3	43%
7.	Mr. John G. Msafari, FICS, CRG	Chair	7	7	100%



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

VIII. 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 *“A world class administration, leading Kenya’s transformation into a globally competitive maritime nation”* and its Mission Statement is *“Effectively Regulate, Coordinate and Oversee maritime affairs in Kenya for sustainable development”*.

Summary of Actual Performance for the Current & Previous year.

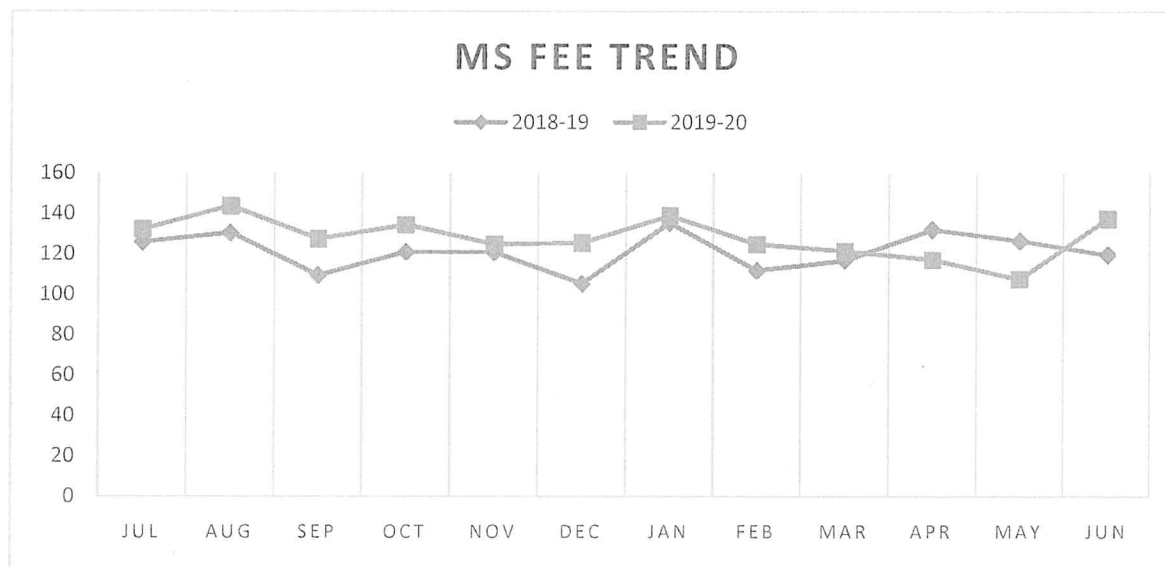
Description	Financial Year		Variance (%)
	2019-2020	2018-2019	
Total Revenue	1,580,953,742	1,523,012,759	4%
Total Recurrent	822,004,874	788,537,689	4%
Surplus/(Deficit)	758,948,868	734,475,070	4%

Actual performance of revenue earned for the current year as compared the previous year improved by 4% due to restrict monitoring of collection process and applicable business rules. Equally, recurrent expenditure increased by similar percentage due to cost incurred to enhance safety awareness among the water transport users and IMO campaign to ensure Kenya remains a members of the Council. Finally the surplus grew with similar margin as result of saving caused by deferred activities due to COVID -19 pandemic.

Revenue Collection Monthly Performance

The Authority relies heavily on one source of revenue which is the MS fee to sustain its operations. Below is performance comparison for the current with previous year.

VII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



The above graph depicts the monthly performance of MS fee collection for the two years. The trend from July to February of the two year is similar with an exception in the month of March, April and May. This is attributed to effect of COVID-19 during this financial year. This is because the key driver of this revenue stream is export and import business that was slightly affected during the three months mentioned above.

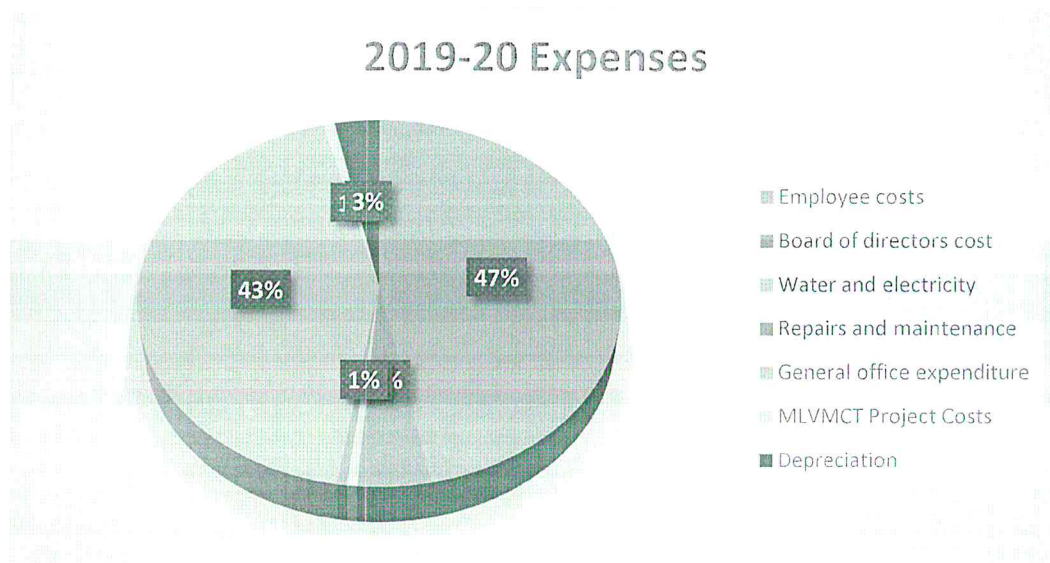
Budget Absorption Analysis

	FY2019-2020		FY2018-2019	
	Recurrent Exp.	Capital Exp.	Recurrent Exp.	Capital Exp.
Item	Kshs	Kshs	Kshs	Kshs
Budget	887,384,000	496,260,000	937,918,000	740,000,000
Actual	822,004,874	153,570,035	788,537,689	537,763,348
Absorption	93%	31%	84%	73%
Total	70%		79%	

The Authority had an approved budget of Kshs 1,383,644,000 and Kshs 1,677,918,000 out of which Kshs 974,456,125 and Kshs 1,326,301,037 was spent for financial year 2019-20 and 2018-19 respectively. This represent 70% and 79 % total budget absorption for the financial year 2019-20 and 2018-19 respectively. However, capital budget absorption for the current year was 31% due to procurement challenges of specialized contractors for the HQ project and slow pace of the Multinational Lake Victoria project as a result of the project design. The specialized contractors have since been procured and Multination Lake Victoria project is undergoing mid-term review.

VII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Expense outlook for the year.



Employee cost account for the highest percentage, followed closely by the General expenses at 47% and 43% respectively. The major component of employee cost is payroll, staff training and pension related costs. While General expense include administrative and cost relating to core mandate of the Authority. The rest of the cost were below 5% of the total expenditure.

Key Projects

During the financial year the Authority was implanting two major projects. The KMA HQ and Multinational Lake Victoria Maritime Communication and Transport project which are at 85% and 2% completion as at the close of the year. HQ project could not be completed due to challenges in procuring specialized contractors while Multinational Lake Victoria face design related technicalities. Specialized contractor have since been procure and design challenge being addressed through the mid-term review.

Major risks facing the Authority.

The Authority has no major risk facing it.

Material arrears in statutory /financial obligation

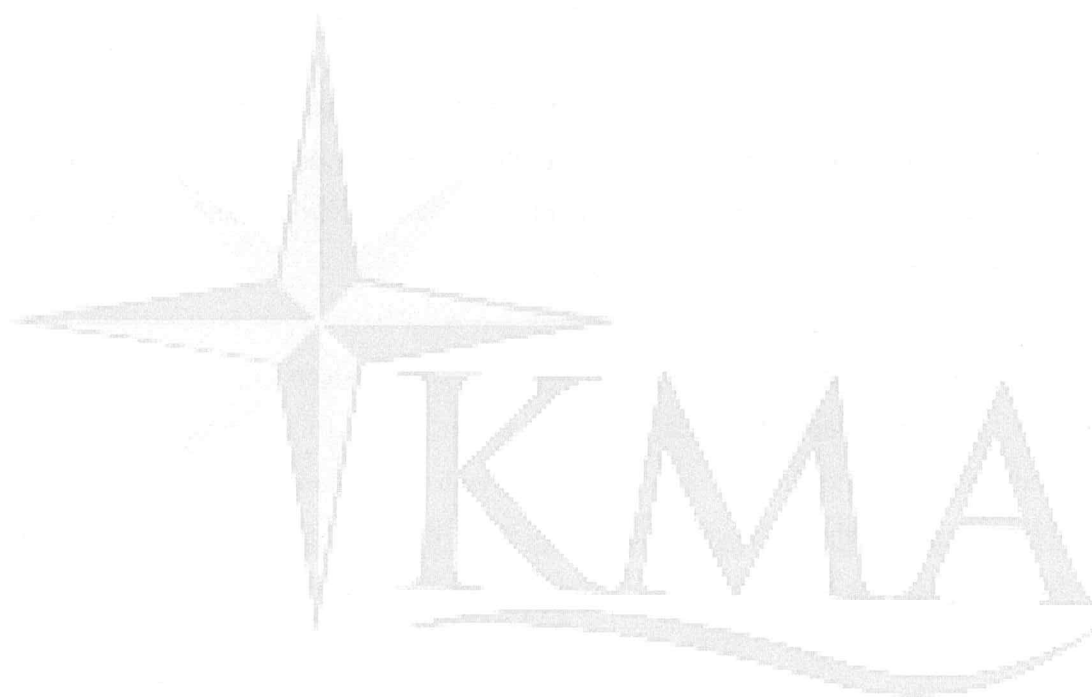
The Authority is in arrears of Kshs 1.4 billion being 90% operating surplus as per the KRA Audit. This arrears is as result of the ongoing KMA HQ project which is being finance through A-i-A which is

VII. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

reported as surplus in the financial statements. Further interpretation of the regulation is required. Matter being addressed at cabinet level.

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



IX. 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 2019/2020 the Authority's expenditure towards its CSR activities countrywide amounted to Kshs.1, 500,000.00. Priority was given to activities pertaining to the KMA mandate, education, health, community involvement and environmental protection in line with the Authority's CSR policy. These are outlined here below:

1. Health, Community involvement & Charitable projects

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

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

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

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



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

ii. Mombasa County Emergency Household Relief and Nutrition Support Project

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

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



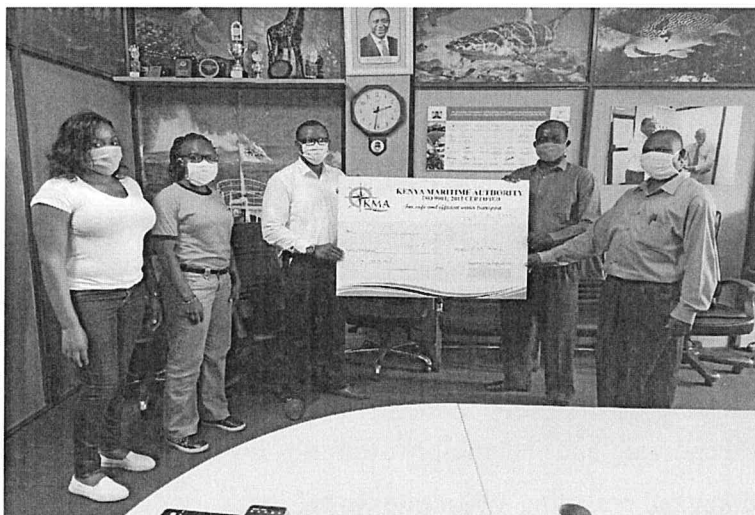
KMA's Chairman Geoffrey Ng'omboMwango and KMA's Ag. Director General, Mr. John Omingo presenting the Authority's donations to the Mombasa County



2. Education

The KMA is keen on supporting educational initiatives particularly those that promote Maritime Education and Training (MET). During the financial year under review, the Authority supported the Institute of Chartered Shipbrokers (ICS) students' examination preps at a cost of Kshs. 500,000, in line with its mandate and Strategic Plan objectives of promoting (MET) and in accordance with the KMA CSR policy. KMA is committed to promote professionalism within the shipping industry considering that it is expected to enhance the sector's contribution to the Blue Economy, Big Four Agenda and national economy as envisaged in Kenya's Vision 2030. Prior to examinations, the ICS students are taken through preparatory sessions by various facilitators, so that they are adequately exposed in preparation for the annual international shipping examinations. The Preps are undertaken four (4) weeks prior to the onset of ICS examinations.

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



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

3. Marine Environment Protection

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

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

In partnership with the WMA and the Kenya Wildlife Society (KWS), KMA accomplished the following: i) Supported 24 beach clean ups in the Watamu Marine Park and Reserve areas: Marine Park North Section 1, Marine Park North Section 2, Marine Park Central, Marine Park South Section 1, Marine Park South Section 2, Marine Reserve- Blue Lagoon, Marine Reserve- Watamu village and Marine Reserve- Darakasi. This resulted in the collection of 9515kgs of marine litter constituting of plastics, flip flops, glass bottles, beverage cans and metal containers thereby

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

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



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



A KMA project signage at the Watamu Marine Reserve areas

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



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

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

- i. Reduction of marine litter and plastic pollution impacting the Marine Protected Area beaches
- ii. Income generation for beach cleaners and plastic recyclers who constituted the local community in Watamu
- iii. Education and sensitization of Secondary School children in the Watamu Community on marine waste management and recycling.
- iv. Tourists and locals joining KMA and WMA and participating in keeping the beaches clean
- v. Creation of a beach waste management

Environmental Performance

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

1. Commitment to the Protection of the Environment

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

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

- i. Establishing an effective environmental protection system which is underpinned by Management commitment and meaningful involvement of staff
- ii. Ensuring that every member of staff and stakeholders are sensitized on the importance of protection of the environment
- iii. Ensuring that all personnel who have a responsibility for the prevention of pollution of the environment have necessary competence
- iv. Collaborating with key institutions such as the National Environment Management Authority (NEMA) to enhancing cross and inter-sectoral linkages
- v. Contributing to the global response to environmental challenges such as climate change and unsustainable use of natural resources in collaboration with stakeholders
- vi. Advising Government on domestication of relevant international and regional environmental policies into the national policy, strategy and action plan
- vii. Ensuring compliance with statutory and strategic plan requirements as well as Vision 2030 obligations
- viii. Implementing environmental obligations under part 2 of Chapter Five on Environment and Natural Resources of the Constitution of Kenya 2010

2. Successes in Environmental Performance

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

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

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

3. Efforts to manage biodiversity

KMA's efforts to manage biodiversity include:

- i. Planting of mangrove trees and participating in beach clean ups to reduce and recycle marine waste
- ii. Reviewing of environmental Impact Assessment reports thus contributing towards achieving sustainable development
- iii. Regulation of ship source pollution thus reducing the negative impacts that the pollution might have on the marine environment

Employee Welfare

The Authority's hiring process is guided by the Kenya Maritime Authority Human Resource Policies and Procedures Manual as approved by the Board of Directors as well as the Human Resource Policies and Procedures Manual for Public Service of May 2016. Where external recruitment is required, KMA advertises existing job opportunities in its website and in national newspapers to enable all stakeholders to apply for the available opportunities. During the hiring process, the interviewing and selection panel takes into account gender equity without compromising on competence of the selected interviewee.

In addition, the Authority takes into consideration employee training needs in order to enhance its staff's skills and boost career development. KMA also has a training budget to ensure equal training opportunities for its employees. The Authority's training policy ensures continuous upgrading of core competencies, knowledge, skills and attitude of employees including their ability to assimilate technology to enable them create and seize opportunities for career growth, social advancement, economic growth and development. The Authority also undertakes performance appraisals for its staff to monitor job performance and employee reward may be undertaken depending on the availability of resources as stipulated in the existing Reward and Recognition Policy.

Furthermore, KMA has established a policy on safety and compliance with the Occupational Safety and Health Act of 2007. In this respect, the committee is in place to ensure compliance and implementation of the policy. The policy aims to provide a sound basis for co-operation between management and employees as well as encourage continuous improvement of the Authority's Health, Safety and Environmental Performance.

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

Market Place Practice

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

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

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 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, 2020 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. During the year 2 director retired/ resigned and 2 were appointed with effect from 23rd April and 5th May 2020.

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 **Kshs615,843,048** to The National Treasury being payment of 90% surplus funds.

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:.....8/02/2021

XI. 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.

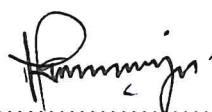
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2020, 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 29th September 2020 and signed on its behalf by:



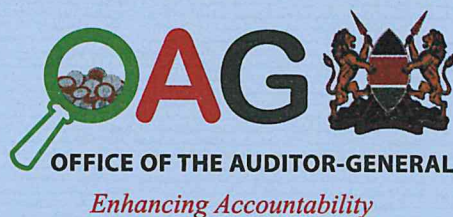
.....
Chairperson of the Board



.....
Director General

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA MARITIME AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

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, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of the Kenya Maritime Authority as at 30 June, 2020, 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

1.1. Kenya Commercial Bank Current Account

The statement of financial position reflects a cash and cash equivalents balance of Kshs.897,237,466 as at 30 June, 2020 which, as disclosed in Note 21 to the financial statements, included an amount of Kshs.841,941,248 held in a current account with a local commercial bank. However, and as previously reported, the June, 2020 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 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.

1.2. National Bank of Kenya -Dollar Account

The cash and cash equivalents balance of Kshs.897,237,466 also includes an amount of Kshs.9,801,466 in the National Bank of Kenya Current Account (USD) and whose bank reconciliation statement for the month of June, 2020 reflects a bank statement balance of USD118,692.22. However, the certificate of bank confirmation as at 30 June, 2020 reflects an amount of USD117,982.86, thus resulting in an unreconciled variance of USD709.36.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.897,237,466 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the 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.1,602,000,000 compared to actual receipts of Kshs.1,580,953,742. Similarly, the Authority's actual expenditure amounted to Kshs.822,004,874 against a budgeted expenditure of Kshs.1,049,261,000 resulting to an under-expenditure of Kshs.227,256,126 or 22% 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, 2020. 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. Trade and Other Receivables from Exchange Transactions

As disclosed in Note 22 to the financial statements, the statement of financial position reflects a balance of Kshs.73,987,705 under trade and other receivables from exchange transactions. However, the following observations were made:

1.1. Trade Receivables

Included in the trade receivables balance of Kshs.73,987,705 is an amount of Kshs.13,713,210 in respect of trade receivables, out of which Kshs.6,604,812 has been outstanding since 1 July, 2015. The Management did not provide satisfactory explanations why the 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.

1.2. Other Non-Trade Receivables

1.2.1. Supply, Review and Installation of Enterprise Resource Planning

The trade receivables also includes an amount of Kshs.40,926,031 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 were ongoing. However, as at the time of audit in the month of September, 2020, forty- four (44) 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.

1.2.2. Advance Payment for Construction of Headquarters

Included in the other non-trade receivables balance of Kshs.40,926,031 is an amount of Kshs.36,157,869 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, 2020. 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.24,588,235 or 68% 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 should not exceed twenty per cent (20 %) of the price of the tender and should 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 should 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.24,588,235 could not be confirmed.

1.3 Provision for Doubtful Debts

As disclosed in Note 22 to the financial statements, the Authority made a provision for doubtful debts amounting to Kshs.11,148,096 representing 81% of the trade receivables balance of Kshs.13,713,210. 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.

Under the circumstances, the reasonableness of the policy to provide for all debts outstanding for one hundred (100) days and above could not be confirmed.

2. Capital Work in Progress

As disclosed in Note 27 to the financial statements, the property, plant and equipment balance of Kshs.1,670,688,495 includes an amount of Kshs.1,375,156,053 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:

2.1 Payment of General Preliminaries

As previously reported, the capital work in progress balance of Kshs.1,375,156,053 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.

2.2 Payment of Rent

Included in the capital work in progress balance of Kshs.1,375,156,053 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.

2.3 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.

2.4 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.

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.

3. Employee Costs

As disclosed in Note 13 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.384,364,234 relating to employees costs. The following observations were made:

3.1 Employee Above the Age of Sixty (60) Years

Audit of the payrolls for the year ended 30 June, 2020 indicated that the Authority engaged one (1) employee on a three (3) year contract running from 28 March, 2020. However, the employee was above the mandatory retirement age of sixty (60) years. 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.

3.2. Employees With Net Salaries Less than One Third of Basic Salary

Audit of the payrolls for the year ended 30 June, 2020 revealed that the net pay for three (3) employees totalling to Kshs.204,004 was less than a third of their corresponding basic pay of Kshs.270,150, 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.

4. General Office Expenditure

As disclosed in Note 17 to the financial statements, the statement of financial performance reflects an amount of Kshs.306,444,750 under general office expenditure. The following observations were made:

4.1 Irregular Procurement of Motor Vehicles and Boat Insurance

The general office expenditure includes insurance expenses of Kshs.5,704,482 out of which an amount of Kshs.3,003,788 was 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 validity, regularity and propriety of the expenditure on motor vehicles and boat insurance services amounting to Kshs.3,003,788 could not be confirmed.

4.2. Irregular Procurement of Branded Promotional Items

Included in the general office expenditure of Kshs.306,444,750 is an amount of Kshs.51,260,930 in respect of publicity and awareness. The latter balance includes an amount of Kshs.5,360,500 in respect of branded promotional items including water bottles, umbrellas, notepads, brochures and booklets procured through restricted tendering. The Management sent tender invitations to eight (8) firms from the prequalified list of fifty-three (53) suppliers. This was contrary to Regulation 54(3) of the Public Procurement and Disposals Regulations, 2006 which requires a procuring entity to invite tenders from at least ten persons selected from the prequalified list maintained for restricted tendering method. Further, the tender was not advertised in the Kenya Maritime Authority website as per Regulation 54 (3)(d) of the Public Procurement and Disposal Regulations, 2006.

In addition, the use of the restricted tendering method for the supply of branded promotional items and brochures was not justified as the goods and services procured were readily available and not of a complex nature. This was done contrary to Section 102(1) of the Public Procurement and Asset Disposal Act, 2015 which prescribes conditions for the use of restricted tendering including (a) competition for contract, because of the complex or specialized nature of the goods, works and (b) if there is evidence to the effect that there are only a few known suppliers of the whole market of the goods, works or services.

The Management was in breach of the law.

5. Outstanding Imprests

The statement of financial position reflects a balance of Kshs.144,081,571 under receivables from non-exchange transactions which, as disclosed in Note 23 to the financial statements, includes an amount of Kshs.175,297 in respect of other receivables. The latter balance includes an amount of Kshs.56,000 relating to an imprest issued to a former staff of the Authority but has been outstanding since 2015. This is 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.

The Management was, therefore, in breach of the law.

6. 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.

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

The statement of financial position reflects a balance of Kshs.215,926,050 under mortgage guarantees which, as disclosed in Note 25 to the financial statements, includes a car loan guarantee of Kshs.30,934,067. The latter balance includes an amount of Kshs.434,067 being interest earned during the year. However, no records were provided to show that the interest rate had been set during the previous four (4) years that the car loan guarantee Fund had been in operation (from 27 June, 2015 to September, 2019). This is contrary to 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.

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

8. Local Purchase Orders Committed After 31 May

During the year under review, the Management committed Local Purchase Orders (LPOs) for supply of goods and services amounting to Kshs.7,490,377 after 31 May, 2020. This is contrary to Regulation 51(1) of the Public Finance Management (National Government) Regulations, 2015 which states that all commitments for supply of goods or services shall be done not later than May 31st each year except with the express approval of the accounting officer in writing.

9. Long Outstanding Creditors

The statement of financial position reflects a balance of Kshs.118,740,605 under trade and other payables from exchange transactions which, as disclosed in Note 28 to the financial statements, includes an amount of Kshs.3,161,941 in respect of suppliers for various goods and services supplied more than two (2) years ago. The Management has not provided an explanation on why the amounts had not been paid. This is contrary to Section 156(4)(d) of the Public Finance Management Act, 2012 which states that an Accounting Officer engages in improper conduct if the officer fails without reasonable cause to pay eligible and approved bills promptly in circumstances where funds are provided for. It is also contrary to Authority's terms and condition (5) of Local Purchase Orders and Local Service Orders which states that, 'provided the conditions of purchase have been fulfilled, payment will be made within 45 days from date of invoice.

The Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) 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 financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing financial reporting process, reviewing the effectiveness of how the Authority 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 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 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 the 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 the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 December, 2021

**XIII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**

		2019-2020	RESTATED 2018-2019
		Kshs	Kshs
Revenue From Non Exchange Transactions	Note		
Levies	6	1,535,112,184	1,454,217,996
Government Grants	7	-	2,092,732
		<u>1,535,112,184</u>	<u>1,456,310,728</u>
Revenue From Exchange Transactions			
Rendering of Service	8	13,214,248	14,237,612
Finance Income	9	15,696,192	26,278,112
Other Income	10	16,931,118	25,079,056
		<u>45,841,558</u>	<u>65,594,780</u>
		<u>1,580,953,742</u>	<u>1,521,905,508</u>
Total Revenue			
Expense			
Employee Costs	13	384,364,234	414,957,795 ^a
Board of Directors Cost	14	37,242,625	35,048,326 ^b
Water and Electricity	15	4,697,026	5,268,867
Repairs and Maintenance	16	5,774,368	12,200,201 ^c
General Office Expenditure	17	306,444,750	272,280,128 ^d
Grants and Subsidies	18	50,000,000	-
MLVMCT Project Costs	19	6,835,374	9,002,697
Depreciation and Amortization	20	26,646,497	39,779,675
		<u>822,004,874</u>	<u>788,537,689</u>
Total Expenses		<u>758,948,868</u>	<u>733,367,819</u>
Surplus from Operating Activities			
Other Gains			
Gain on Sale of Assets	11	-	1,050,000
Gain on Foreign Exchange Transactions	12	1,356,507	57,251
		<u>760,305,375</u>	<u>734,475,070</u>
Surplus for the Period			

The notes set out on pages 11 to 49 form an integral part of these Financial Statements.

Note: The accounts marked a, b, c and d were restated as detailed overleaf;

a. Employee Costs

Tuition fees towards staff trainings were reversed on confirmation staff did not attend the trainings.

	Amount
Description	Kshs
Audited Accounts	415,217,915
Tuition Fees reversals	(260,120)
Total	414,957,795

b. Board of Directors Cost

Erroneous expense in respect to attendance of board meetings was corrected as indicated below;

	Amount
Description	Kshs
Audited Accounts	35,092,326
Erroneous Expense	(44,000)
Total	35,048,326

c. Repairs and Maintenance

Repair and maintenance costs amounting to Kshs 144,560 for Air Conditioners which had been expensed and later found unsatisfactory were reversed as indicated below;

	Amount
Description	Kshs
Audited Accounts	12,344,761
Adjustments	(144,560)
Total	12,200,201

d. General Office Expenditure

Adjustments amounting to Kshs 1,167,096 to correct erroneous expenses were done as indicated below;

	Amount
Description	Kshs
Audited Accounts	273,447,225
Adjustments	(1,167,097)
Total	272,280,128

**XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

		2019-2020	RESTATED 2018-2019
Assets	Note	Kshs	Kshs
Current Assets			
Cash and Cash Equivalents	21	897,237,466	908,207,382
Trade Receivable from Exchange	22	73,987,705	85,496,888 ^a
Trade Receivable from Non Exchange	23	144,081,571	126,700,114 ^b
Inventories	24	3,948,979	4,852,851
Total Current Assets		1,119,255,721	1,125,257,235
Non-Current Assets			
Property, Plant & Equipment	27	1,670,688,495	1,572,192,488 ^c
Intangible Assets	26	5,811,342	5,123,333
Mortgage Guarantees	25	215,926,050	214,673,879
Total Non-Current Assets		1,892,425,887	1,791,989,700
Total Assets		3,011,681,608	2,917,246,935
Liability			
Current Liability			
Trade and Other Payables from Exchange	28	118,740,605	164,638,288 ^d
Gratuity	29	6,684,357	5,712,507
Surplus Funds Payable	30	113,696,155	177,325,560 ^e
Total Current Liability		239,121,117	347,676,355
Non-Current liability			
Deferred Government Grant	31	15,305,463	20,407,284
Total Non-Current liability		15,305,463	20,407,284
Total liabilities		254,426,580	368,083,638
Net Assets			
Capital Reserve	XIV	76,771,434	76,771,434
Revenue Reserve	XIV	2,446,110,124	2,238,018,392 ^f
Revaluation Reserve	XIV	4,373,470	4,373,470
Specific Reserve	XIV	230,000,000	230,000,000
Total Net Assets		2,757,255,028	2,549,163,296
Total Net Assets and Liabilities		3,011,681,608	2,917,246,935

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: 9.2.21

Finance Manager

Mr. Edwin Were

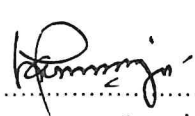
ICPAK Member No: 8140



Date: 8/2/21

Board Chairman

Mr. Geoffrey N. Mwango



Date: 8/2/21

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

a. Trade Receivable from Exchange

Prepayment was erroneously expensed thus the reversal.

Description	Kshs
Balance as per Audited Accounts	85,495,420
Medical Scheme Prepayment	1,468
Total	85,496,888

b. Trade Receivable from Non Exchange

A laptop which had been stolen and recognized as recoverable from staff was later recovered thus the reversal of the debt.

Description	Kshs
Balance as per Audited Accounts	126,822,335
Debt Reversal	(122,221)
Total	120,101,608

c. Property, Plant & Equipment

Outstanding invoice which was recognised as work in progress reversed on reconciliation of the vendor.

Description	Kshs
Balance as per Audited Accounts	1,572,223,087
Erroneous Payable	(30,600)
Rounding off	1
Total	1,572,192,488

d. Trade and Other Payables from Exchange

Payables amounting to Kshs 1,525,694 had been erroneously recognized as payables through provisions thus the reversals as indicated below;

Description	Kshs
Balance as per Audited Accounts	166,163,982
Erroneous Provisions	(1,525,694)
Total	164,638,288

e. Surplus Funds Payable

Adjustments of expenses led to an increase of surplus funds payable by Kshs 1,454,198 as;

Description	Kshs
Balance as per Audited Accounts	175,871,361
90% Surplus Increase	1,454,198
Total	177,325,559

f. Revenue Reserve

There was a cumulative prior year adjustments totalling Kshs 241,434 with adjustments in expenses leading to an increase of surplus for the year by Kshs 1,615,776 hence a provision of Kshs 1,454,198 to be paid as 90% surplus.

Description	Kshs
Balance as per Audited Accounts	2,238,098,248
Prior Year Adjustments	(241,434)
90% Surplus Increase	(1,454,198)
Surplus for the Year Increase	1,615,776
Total	2,238,018,392

**XIV. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020**

	Capital	Revenue Reserves	Revaluation Reserves	Specific Reserves	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30th June 2018	76,771,434	1,674,003,262	6,253,470	230,000,000	1,987,028,166
Surplus for the year	-	734,475,069	-	-	734,475,069
Revaluation Reserve	-	-	-	-	-
Realized Revaluation Gain	-	1,880,000	(1,880,000)	-	-
Oil Spill Response Mobilization Fund	-	-	-	-	-
Donated assets	-	-	-	-	-
90% Surplus Funds	-	(172,339,939)	-	-	(172,339,939)
Adjustment (Prior Year)	-	-	-	-	-
Balance as at 30th June 2019	76,771,434	2,238,018,392	4,373,470	230,000,000	2,549,163,296
Surplus for the year	-	760,305,375	-	-	760,305,375
Revaluation Reserve	-	-	-	-	-
Realized Revaluation Gain	-	-	-	-	-
Oil Spill Response Mobilization Fund	-	-	-	-	-
Donated assets	-	-	-	-	-
90% Surplus Funds	-	(552,213,643)	-	-	(552,213,643)
Adjustment (Prior Year)	-	-	-	-	-
Balance as at 30th June 2020	76,771,434	2,446,110,124	4,373,470	230,000,000	2,757,255,028

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 were held in KCB Savings bank account and the reserve balance as at 30th June 2020 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 were held in KCB Savings bank account and the reserve balance as at 30th June 2020 was Kshs 100Million.



**XV. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		2019-2020	RESTATED
	Note	Kshs	2018-2019
		Kshs	Kshs
Cash Flow From Operating Activities			
Surplus for the Period		760,305,375	734,475,070
Depreciation	20	26,646,497	39,779,675
Gain On Disposal Of Non- Current Asset	11	-	(1,050,000)
Foreign Exchange (Gain) Loss	12	(1,356,507)	(57,251)
Interest Income	9	(15,696,192)	(26,278,112)
		769,899,173	746,869,382
Working Capital Changes			
Decrease In Trade Receivables	22&23	(5,872,274)	122,232,403
Increase In Inventories	24	903,872	(360,843)
Decrease In Trade Payables	28	(45,897,683)	(148,980,761)
Increase In Gratuity	29	971,850	622,001
Decrease In Deferred Government Grant	31	(5,101,821)	(5,101,821)
Net Working Capital Changes		(54,996,056)	(31,589,021)
Net Cash Generated From Operating Activities		714,903,117	715,280,361
Investing Activities			
Purchase of Property, Plant And Equipment	26&27	(146,734,661)	(542,955,648)
Decrease in Property, Plant And Equipment	27	20,904,148	
Proceeds From Sale of Property, Plant And Equipment	11	-	1,050,000
Investment In Fixed Deposits and Long Term Deposits	25	(1,252,171)	382,102,498
Interest Income	9	15,696,192	26,278,112
Foreign Exchange (Gain) /Loss	12	1,356,507	57,251
Net Cashflow (Used In)/Generated In Investing Activities		(110,029,985)	(133,467,787)
Financing Activities			
90% Surplus Funds Remission	30(a)	(615,843,048)	(662,345,603)
Net Cashflow (Used In)/Generated In Financing Activities		(615,843,048)	(662,345,603)
Net Increase / (Decrease) In Cash And Cash Equivalents		(10,969,916)	(80,533,029)
Cash And Cash Equivalent As At 01 July		908,207,382	988,740,411
Cash And Cash Equivalent As At 30 June		897,237,466	908,207,382

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020**

Revenue	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020
MS Levy	1,860,000,000	(304,000,000)	1,556,000,000	1,535,112,184	(20,887,816)
Rendering Service	15,000,000	-	15,000,000	13,214,248	(1,785,752)
Finance Income	16,000,000	4,000,000	20,000,000	15,696,192	(4,303,808)
Other Income	9,000,000	2,000,000	11,000,000	16,931,118	5,931,118
Total income	1,900,000,000	(298,000,000)	1,602,000,000	1,580,953,742	(21,046,258)
Expense					
Employee Costs	453,030,000	(56,550,000)	396,480,000	384,364,234	12,115,766
Board of Directors Cost	45,000,000	3,504,000	48,504,000	37,242,625	11,261,375
Water and Electricity	10,450,000	(4,950,000)	5,500,000	4,697,026	802,974
Repairs and Maintenance	30,910,000	(3,100,000)	27,810,000	5,774,368	22,035,632
General Office Expenditure	275,431,000	191,532,000	466,963,000	306,444,750	160,518,250
Grants and Subsidies	50,000,000	-	50,000,000	50,000,000	-
MLVMCT Project Costs	192,600,000	(179,339,000)	13,261,000	6,835,374	6,425,626
Depreciation	42,000,000	(1,257,000)	40,743,000	26,646,497	14,096,503
Total Expenditure	1,099,421,000	(50,160,000)	1,049,261,000	822,004,874	227,256,126
Surplus for the period	800,579,000	(247,840,000)	552,739,000	758,948,868	(206,209,868)

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 2020		758,948,868
Add: Other Gains		
Gain on Sale of Assets		
Gain on foreign exchange transactions	1,356,507	
Total Other Gains		1,356,507
Surplus for the period as per the Statement of Financial Performance For The Year Ended 30 June 2020		760,305,375

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

1. Rendering Service' negative variance of 12% is attributed to loss of revenue inability to conduct vessel inspections in the 3rd and 4th Quarter of the financial year due to the Covid-19 Pandemic.
2. Finance income had a negative variance of 22%, 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.
3. Other Income had a positive variance of 54% attributed to increase in CDC books, STCW certification and one off penalty for non-compliance with licencing requirements.
4. Board of Directors Cost variance of 24.7% is attributed to holding of board meetings through online platforms in the 3rd and 4th quarter of the financial year and a number of planned activities shelved due to COVID-19 Pandemic.
5. Water and Electricity variance of 15% is due to inability to finalize the opening of planned brunch in Nakuru / Naivasha.
6. Repairs and Maintenance variance of 81% is due to delay in completion of Kisumu Office renovations.
7. General office Expenditure has a cumulative variance of 34% mainly due to inability to implement planned activities due to restrictions brought about by Covid-19 Pandemic.
8. MLMCT Project Costs; Under-absorption was due to delays in reaching a consensus among partner states on the contentious issues around the project design and funds flow arrangement.
9. Depreciation variance of 35% was brought about by delay in implementation of the ERP project and planned acquisitions of depreciable assets.

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (Continued)

Explanation of Changes between Original and Final Budget

Revenue	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Reason
MS Levy	1,860,000,000	(304,000,000)	1,556,000,000	Projections for MS Fees revenue reviewed downwards based on trend in the first 6 months of the FY2019/2020
Rendering Service	15,000,000	-	15,000,000	Projections of Revenue from registration and licensing of Maritime Service Providers reviewed downwards based on trend in the first 6 months of the FY2019/2020
Finance Income	16,000,000	4,000,000	20,000,000	Projections for interest income reviewed upwards due to anticipated investment of surplus funds realized in the 1 st and 2 nd Quarters.
Other Income	9,000,000	2,000,000	11,000,000	Increased demand for CDC Books due to the Authority's intervention in matters Maritime Education and Training and Seafarer Support and Welfare was expected to increase CDC Books sales
Total income	1,900,000,000	(298,000,000)	1,602,000,000	
Expense				
Employee Costs	453,030,000	(56,550,000)	396,480,000	Reduction was as a result of review of staff training budget downwards based on the TNA report and streamlining of process for acquisition of training services
Board of Directors Cost	45,000,000	3,504,000	48,504,000	The increment is attributed to the Board participation in IMO Campaigns where Kenya won a seat at the IMO Council
Water and Electricity	10,450,000	(4,950,000)	5,500,000	Reduction due to delayed completion of the KMA HQs Project
Repairs and Maintenance	30,910,000	(3,100,000)	27,810,000	Reduction was as a result of savings realized in procurement of repair works for the new Kisumu branch office
General Office Expenditure	275,431,000	191,532,000	466,963,000	Participation in IMO Elections campaigns, increase in Travel vote head due to participation BCOC and 30 Days at Sea activities among others, strategic plan retreats and milestone review meetings and increase in provision for Medical Cover
Grants and Subsidies	50,000,000	-	50,000,000	
MLVMCT Project Costs	192,600,000	(179,339,000)	13,261,000	Reallocation to KMA HQs project after mid-term review of the project was delayed
Depreciation	42,000,000	(1,257,000)	40,743,000	Depreciation expense budget revised downwards, owing to delays in acquisition of Web-based ERP System.
Total Expenditure	1,099,421,000	(50,160,000)	1,049,261,000	
Surplus for the period	800,579,000	(247,840,000)	552,739,000	

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 2020

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 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The standard has no impact to the Authority as yet due to limitation in financial instruments the Authority is allowed to hold.</p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <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>
Amendments to Other IPSAS resulting from	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently

Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<p>omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees/Levy

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

Transfers from the Government

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

Interest income

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

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget for FY 2019-2020 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 didn't record additional appropriations on the 2019-2020 budget.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

h) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Nature and purpose of reserves

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

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

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

The scheme is being administered by ZamaraFanaka 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;

- Board of directors-Incurred the following cost for the board **Kshs36,512,712.**

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, 2020.

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)

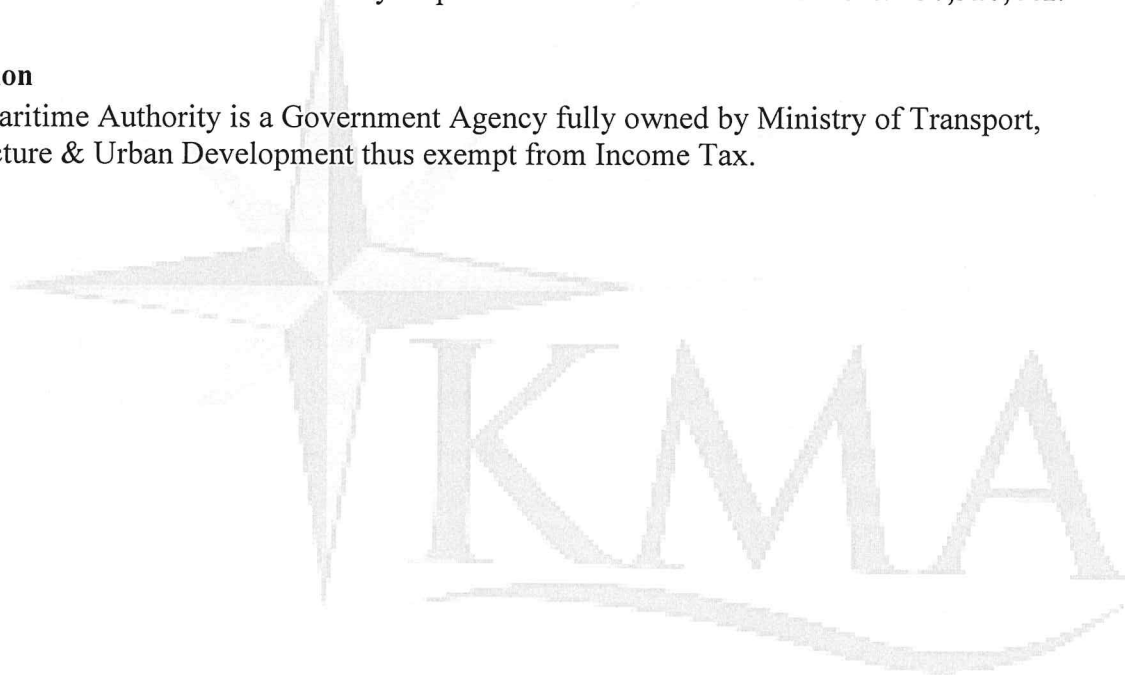
The Annual depreciation/amortisation rates as stated below:-

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 2019/2020 fully Depreciated Assets amounted to Kshs. **230,316,441.**

q) Taxation

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Levies

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Merchant shipping levy	1,499,594,501	1,420,480,138
Collection cost (KRA commission)	35,517,683	33,737,858
Total Levies	1,535,112,184	1,454,217,996

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

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.	-	2,092,732
	-	2,092,732

Grants represent funds provided by donors either directly or through a sponsor for the purposes of financing specific projects. During FY2019/2020 the Authority did not receive any grant while FY2018/2019 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

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Boat survey fees	6,790,188	7,044,194
Shipping agents fees	6,424,060	7,193,418
Total Rendering of Service Income	13,214,248	14,237,612

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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Finance Income-External Investment

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Interest from Commercial Bank Deposits	1,275,334	2,822,044
Interest from Government Securities	14,420,858	23,456,068
Total Finance Income	15,696,192	26,278,112

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

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Agency Fee	2,768,498	2,033,287
Rental	899,473	807,471
Sale of Books	1,270,106	695,714
Deferred Income Recognized	5,101,821	5,101,821
Others	6,891,220	16,440,763
Total Other Income	16,931,118	25,079,056

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

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Cost of the asset	-	1,880,000
Accumulated depreciation	-	1,880,000
Net book value	-	-
Proceeds	-	1,050,000
Gain on disposal	-	1,050,000

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

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Gain on Foreign Exchange Transaction	1,356,507	57,251
	<u>1,356,507</u>	<u>57,251</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

	2019-2020	RESTATED 2018-2019
Description	Kshs.	Kshs.
Basic Salaries	210,853,800	202,513,374
House Allowances	34,875,000	35,202,581
Other Allowances	5,822,361	6,577,881
Leave Allowances	4,535,666	4,480,000
Commuter Allowances	21,744,000	22,069,742
Staff Wages	-	106,097
Internship	135,000	548,548
Entertainment	360,000	393,871
Staff Training	52,769,487	88,783,411
Induction and Orientation	-	11,650
Pension Expenditure	53,170,127	50,570,404
Recruitment	98,793	3,700,236
Total Employee Costs	<u>384,364,234</u>	<u>414,957,795</u>

14. Board of Directors Costs

	2019-2020	RESTATED 2018-2019
Description	Kshs.	Kshs.
Airfare	6,841,727	4,746,067
Allowance and Other Expense	29,440,898	29,942,259
Chairman's Honoraria	960,000	360,000
Total Board of Directors Costs	<u>37,242,625</u>	<u>35,048,326</u>

15. Purchase of Water & Electricity

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Water	716,015	890,446
Electricity	3,981,011	4,378,421
Total Purchase of Water and Electricity	<u>4,697,026</u>	<u>5,268,867</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Repairs and Maintenance

RESTATED

Description	2019-2020 Kshs.	2018-2019 Kshs.
Motor vehicle	1,287,216	1,274,074
Boats	869,470	5,744,068
Computer	2,988,028	3,038,692
Building	629,654	2,143,367
Total Repairs and Maintenance	5,774,368	12,200,201

17. General Office Expenditure

RESTATED

Description	2019-2020 Kshs.	2018-2019 Kshs.
Domestic and Overseas Air Travel	16,141,788	20,070,669
Duty Travel Allowances - Domestic and Foreign	47,026,574	44,452,868
Conference and Seminars	16,142,882	38,471,868
Advertising	3,721,532	1,946,879
Publicity & Awareness	51,260,930	28,018,261
Medical and Group Accident Cover	34,477,394	22,427,762
Office Rent	11,978,037	11,709,717
HIV and AIDs related Awareness	801,510	821,728
Transport Hire	7,599,643	10,084,803
Fuel Costs	3,255,363	3,642,485
Library Expenses	3,078,901	1,196,364
Club Fees	34,581	69,058
Research and Development	175,000	-
Community Support	1,525,757	3,819,538
Bank Charges & Commissions	35,976,735	34,241,616
Security Services	5,057,869	5,700,517
Audit Fees	2,500,000	1,400,000
Professional & Consultancy Fees	2,160,050	1,724,874
Insurance	5,704,482	7,635,023
Legal Fees	677,000	-43,500
Marine Safety & Environment Protection	265,940	899,354
Office Incidentals	2,948,006	2,527,735
Uniform and Clothing	-	615,820
Office Carpet and Curtain Cleaning	6,178,632	6,301,373
Entertainment	1,479,585	1,296,064
Printing and Stationery	4,873,327	3,807,361
Bad and Doubtful Debts Provision	(496,728)	7,583,767
Other Admin Expense	21,015,274	390,185
Communication Costs	10,405,162	11,467,939
Collaborations & Partnerships	10,479,524	-
Total General Expenditure	306,444,750	272,280,128

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Grants and Subsidies

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Maritime Education and Training	50,000,000	-
Total Grants and Subsidies	50,000,000	-

19. MLVMCT Project Costs

Description	2019-2020	2018-2019
	Kshs.	Kshs.
Services	4,769,525	6,641,687
Project Management & Capacity Building	2,065,849	2,361,010
Total MLVMCT Project Costs	6,835,374	9,002,697

20. Depreciation and Amortization Expense

Description	2019-2020	2018-2019
	Kshs.	Kshs.
Property, Plant and Equipment	24,084,830	36,664,270
Intangible Assets	2,561,667	3,115,405
Total Depreciation and amortization	26,646,497	39,779,675

21. Cash and Cash Equivalents

	2019-2020	RESTATED
Description	Kshs.	2018-2019
		Kshs
Current Account	874,614,084	306,872,643
Treasury Bills < 3 Months	-	571,249,250
Others	22,623,382	30,085,489
Total Cash and Cash Equivalents	897,237,466	908,207,382

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

		2019-2020	2018-2019
Financial Institutions	Account Number	Kshs.	Kshs
a) Current Account			
KCB Current Account (Ksh)	1101575093	841,941,248	279,311,839
KCB Current Account (USD)	1167698452	15,835,359	4,517,022
KCB Current Account-Kisumu (Ksh)	1111688923	2,500	2,500
KCB Current Account-Lamu (Ksh)	1215829051	89,568	35,387
KCB Current Account-Lodwar (Ksh)	1218308931	7,484	9,734
KCB Current Account-MLVMCT (Ksh)	1224214544	6,936,459	13,413,062
NBK Current (USD)	02003057729100	9,801,466	8,723,699
Cooperative Bank of Kenya	01103445882000	-	859,400
Sub-Total		874,614,084	306,872,643

	2019-2020	2018-2019
	Kshs.	Kshs
c) Treasury Bills < 3 Months		
Central Bank of Kenya	-	571,249,250
Sub-Total	-	571,249,250

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

e) Others

Petty Cash-Mombasa Office	12,978	14,437
Petty Cash-Lamu Office	-	12,280
Petty Cash-Turkana Office	20,727	-
KCB Savings Account 1107477549	20,003,825	20,005,955
Outstanding Imprest-Staff	2,554,452	8,439,817
Outstanding Imprest-Directors	31,400	1,613,000
Sub-Total	22,623,382	30,085,489
Grand Total	897,237,466	908,207,382

22. Trade Receivable from Exchange Transactions

	2019-2020	RESTATED 2018-2019
Description	Kshs.	Kshs
Trade	13,713,210	13,492,209
Interest receivable	8,731	8,123,705
Prepayments	30,487,829	22,964,003
Others non trade	40,926,031	52,561,795
Less: Provision for Doubtful debts	(11,148,096)	(11,644,824)
Total Trade Receivable from Exchange Transactions	73,987,705	85,496,888

23. Receivable from Non-Exchange Transactions

	2019-2020	RESTATED 2018-2019
Description	Kshs.	Kshs
MS Levy Fees	134,268,317	116,785,865
Staff Debt	5,352,469	4,106,477
Salary Advance	665,150	466,570
Training Levy	3,620,338	5,332,867
Other	175,297	8,335
Total Receivable from Non-Exchange Transactions	144,081,571	126,700,114

24. Inventories

	2019-2020	2018-2019
Description	Kshs.	Kshs
General Supplies	3,643,439	4,558,983
Publications & Library Books	305,540	293,868
Total Inventories	3,948,979	4,852,851

25. Mortgage Guarantees

	2019-2020	RESTATED 2018-2019
Description	Kshs.	Kshs
House Loan Guarantee	184,991,983	184,173,879
Car Loan Guarantee	30,934,067	30,500,000
Total Mortgage Guarantees	215,926,050	214,673,879

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Mortgage Guarantees Movement Schedule

	House Loan Guarantee	Car Loan Guarantee	Total
Description	Kshs	Kshs	Kshs
Balance as at 1st July 2019	184,173,878	30,500,000	214,673,878
Transfers	-	-	-
Interest Earned	818,104	434,067	1,252,171
Balance as at 30 June 2020	184,991,982	30,934,067	215,926,049

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 2019	83,231,758	-	83,231,758
Additions	-	3,249,676	3,249,676
Transfer	-	-	-
As at 30 June 2020	83,231,758	3,249,676	86,481,434
As at 30 June 2019	78,108,425	-	78,108,425
Charge for the year	2,561,667	-	2,561,667
As at 30 June 2020	80,670,092	-	80,670,092
NBV as at 30 June 2020	2,561,666	3,249,676	5,811,342
NBV as at 30 June 2019	5,123,333	-	5,123,333

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	Kshs
As at 1 July 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	535,354,726	537,732,748
Re allocation				120,221			120,221
As at 30 June 2019	203,097,950	39,008,847	64,948,636	72,016,649	180,136,775	1,235,251,501	1,794,460,358
Disposal			(7,133,168)		(27,872,197)*		(35,005,365)
Additions				1,754,967	1,825,466	139,904,552	143,484,985
Re allocation				-			-
As at 30 June 2020	203,097,950	39,008,847	57,815,468	73,771,616	154,090,044	1,375,156,053	1,902,939,978
Depreciation and impairment							
As at 1 July 2018	-	-	39,946,182	61,697,568	85,719,630	-	187,363,380
Disposal			(1,880,000)	120,221	-	-	(1,759,779)
Charge for the year			10,662,263	7,877,465	18,124,541		36,664,269
Adjustments							-
As at 30 June 2019	-	-	48,728,445	69,695,254	103,844,171	-	222,267,870
Disposal			(7,133,168)		(6,968,049)*		(14,101,217)
Charge for the year			8,563,870	2,570,956	12,950,004		24,084,830
Adjustments				-			-
As at 30 June 2020	-	-	50,159,147	72,266,210	109,826,126	-	232,251,483
Net Book values							
As at 30 June 2020	203,097,950	39,008,847	7,656,321	1,505,406	44,263,918	1,375,156,053	1,670,688,495
As at 30 June 2019	203,097,950	39,008,847	16,220,191	2,321,395	76,292,604	1,235,251,501	1,572,192,488

*The Authority transferred 2 Boats to Kenya Coast Guard Services which were acquired at a total cost of **Kshs27,872,197**the accumulated depreciation at the time of transfer was **Kshs 6,968,049**hence a NBV of **Kshs 20,904,148**.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Property, Plant and Equipment (Continued)

As at close of financial year assets amounting to Kshs230,316,441 were fully depreciated as indicated in the table below:

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	NBV
Motor Vehicles	31,762,168	31,762,168	-
Computers	71,003,562	71,003,562	-
Furniture & Equipment	52,003,953	52,003,953	-
Software	75,546,758	75,546,758	-
TOTAL	230,316,441	230,316,441	-

28. Trade and other payables from exchange transaction

RESTATED

	2019-2020	2018-2019
Description	<u>Kshs.</u>	<u>Kshs.</u>
Trade Payables	18,457,468	55,875,901
Audit Fees Payable	3,900,000	1,400,000
Staff payables	96,275	4,574,666
Statutory	1,068,049	6,547,341
Other payable	95,218,813	96,240,380
Total	118,740,605	164,638,288

29. Gratuity

	2019-2020	2018-2019
Description	<u>Kshs.</u>	<u>Kshs.</u>
As at 1 July	5,712,507	5,090,506
Charge for the Year	3,750,690	3,987,300
Payment during the Year	(2,778,840)	(3,365,299)
As at 30 June	6,684,357	5,712,507

30. Surplus Funds Payable

	2019-2020	2018-2019
Description	<u>Kshs.</u>	<u>Kshs.</u>
Surplus Funds Payable	113,696,155	177,325,560
Total	113,696,155	177,325,560

30(a) Surplus Funds Payable Movement Schedule

	2019-2020	2018-2019
Description	<u>Kshs.</u>	<u>Kshs.</u>
As at 1 July	177,325,560	667,331,223
Realized Surplus Funds Provision	552,213,643	172,339,940
Payment during the year	(615,843,048)	(662,345,603)
As at 30 June	113,696,155	177,325,560

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2019-2020	2018-2019
Description	Kshs.	Kshs.
Surplus for the Year	760,305,375	734,475,070
Less: Purchase of Assets	(146,734,661)	(542,986,248)
Less: Oil Spill & SAR Fund Transfer	-	-
Less: Mortgage & Car Loan Guarantees	-	-
Realized Surplus Funds	613,570,714	191,488,821
90% of Realized Surplus Funds	552,213,643	172,339,940

31. Deferred Government Grant

	2019-2020	2018-2019
Description	Kshs.	Kshs.
National Government	15,305,463	20,407,284
Total Deferred Government Grant	15,305,463	20,407,284

The deferred Government Grant movement is as follows:

	National Government
Balance brought forward	20,407,284
Additions	-
Transfers to Capital fund	-
Transfers to income statement	(5,101,821)
Other transfers	-
Balance carried forward	15,305,463

32. Receipt of GOK Project Funds

	2019-2020	2018-2019
Description	Kshs.	Kshs.
MLVMCT Project	-	2,092,732
Total	-	2,092,732

During the year, Kenya Maritime Authority didn't receive funding 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 2020				
Receivables from exchange transactions	85,135,801	64,619,090	20,516,711	-
Receivables From Non Exchange Transactions	144,081,571	144,081,571	-	-
Bank Balances	897,237,466	897,237,466	-	-
Total	1,126,454,838	1,105,938,127	20,516,711	-
At 30 June 2019				
Receivables from exchange transactions	97,141,712	65,879,186	31,262,526	-
Receivables From Non Exchange Transactions	126,700,114	126,700,114	-	-
Bank Balances	908,207,382	908,207,382	-	-
Total	1,132,049,208	1,100,786,682	31,262,526	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. 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 2020				
Trade payables	2,130,724	970,337	15,356,407	18,457,468
Provisions	134,254,828	-	86,408,821	220,663,649
Deferred Government Grant	-	-	15,305,463	15,305,463
Total	136,385,552	970,337	117,070,691	254,426,580
At 30 June 2019				
Trade payables	31,560,093	8,053,443	16,262,365	55,875,901
Provisions	205,391,632	-	86,408,821	291,800,453
Deferred Government Grant	-	-	20,407,284	20,407,284
Total	236,951,725	8,053,443	123,078,470	368,083,638

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. 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 2020			
Financial assets(investments, cash ,debtors)	1,089,805,055	37,388,826	1,127,193,881
Liabilities			
Trade and other payables	239,684,646	63,801	239,748,447
Net foreign currency asset/(liability)	850,120,409	37,325,025	887,445,434

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 2019			
Financial assets(investments, cash ,debtors)	1,085,922,466	24,724,701	1,110,647,167
Liabilities			
Trade and other payables	347,238,428	437,926	347,676,354
Net foreign currency asset/(liability)	738,684,038	24,286,775	762,970,813

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. 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
2020			
USD	10%	3,732,503	3,732,503
2019			
USD	10%	2,428,678	2,428,678

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 8,979,609 (2019: KShs9,082,074). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 44,898,043 (2019 – KShs 45,410,369).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. 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:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	4,373,470	4,373,470
Retained earnings	2,446,110,124	2,238,018,392
Capital reserve	76,771,434	76,771,434
Specific reserves	230,000,000	230,000,000
Total funds	2,757,255,028	2,549,163,296
Total borrowings	0	0
Less: cash and bank balances	897,237,466	908,207,382
Net debt/(excess cash and cash equivalents)	(897,237,466)	(908,207,382)
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)

33. RELATED PARTY BALANCE (Continued)

	2020	2019
	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	23,778,472	20,466,770
Compensation to the CEO	6,342,000	4,919,689
Compensation to key management	25,884,116	27,049,800
Total	56,004,588	52,436,259

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. CAPITAL COMMITMENTS

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
Authorised and contracted for	1,728,176,418	1,856,908,946
Total	1,728,176,418	1,856,908,946

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. During the FY2019/2020 the Authority remitted **Kshs615,843,048** as surplus funds.

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).

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
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)
	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.				
3.3	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.	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).	Mr. Henry Mwasaru Ag. Human Resource & Administration Manager	Resolved	N/A
3.4	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.	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 organization	Ms. Jane Florence Otieno Corporation Secretary & Head Legal Services	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)
		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		
8.1	<p>The head of procurement's professional opinion done before receiving land valuation report.</p> <p>The selected plots had been identified before the advertisement for expression of interest.</p> <p>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.</p>	<p>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.</p> <p>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.</p>	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

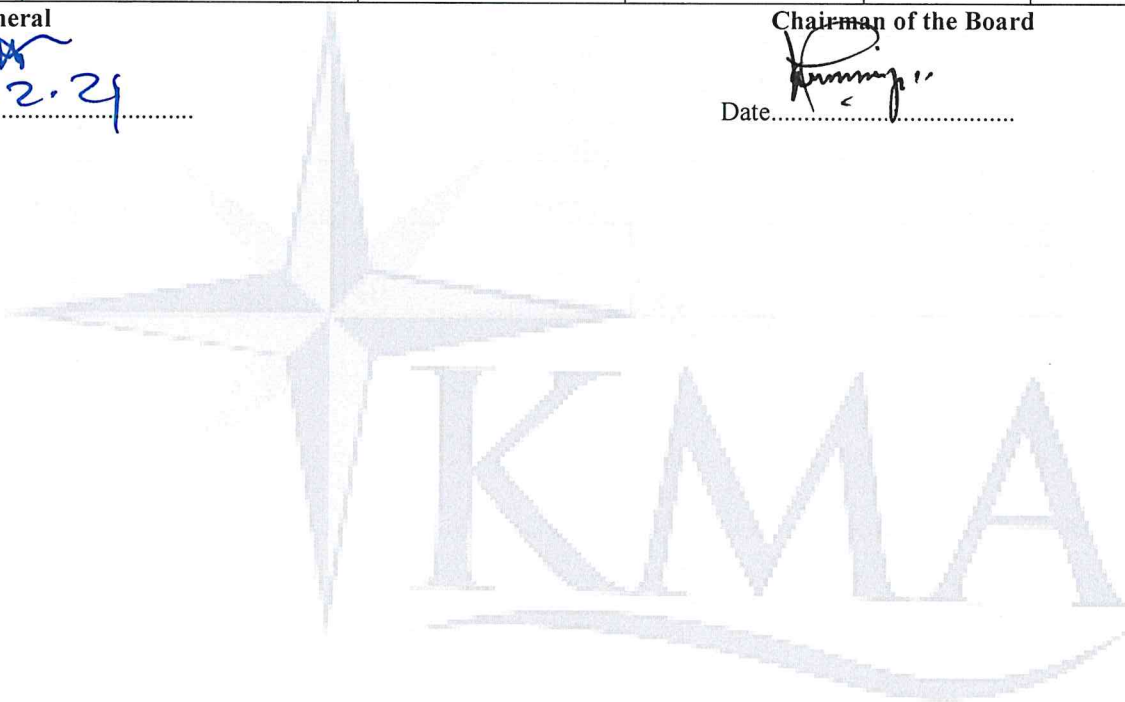
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		required information.			
12.0	Management 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.....
9.2.21

Chairman of the Board

Date.....



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	1,375M	80%	450M	1,375M	KMA
2	Multinational Lake Victoria Maritime Communication and Transport	529M	15.9M	5%	13.26M	15.9M	AFDB

APPENDIX III: INTER-AUTHORITY TRANSFERS

ENTITY NAME:		KENYA MARITIME AUTHORITY		
Break down of Transfers from the State Department for Transport				
FY 2019/2020				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	-	N/A
		Total	-	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	N/A
			-	N/A
			-	N/A
		Total	-	N/A

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

Finance Manager
Kenya Maritime Authority

Sign -----

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

Sign-----

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