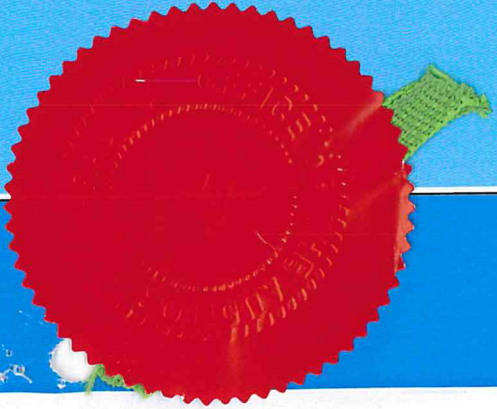




OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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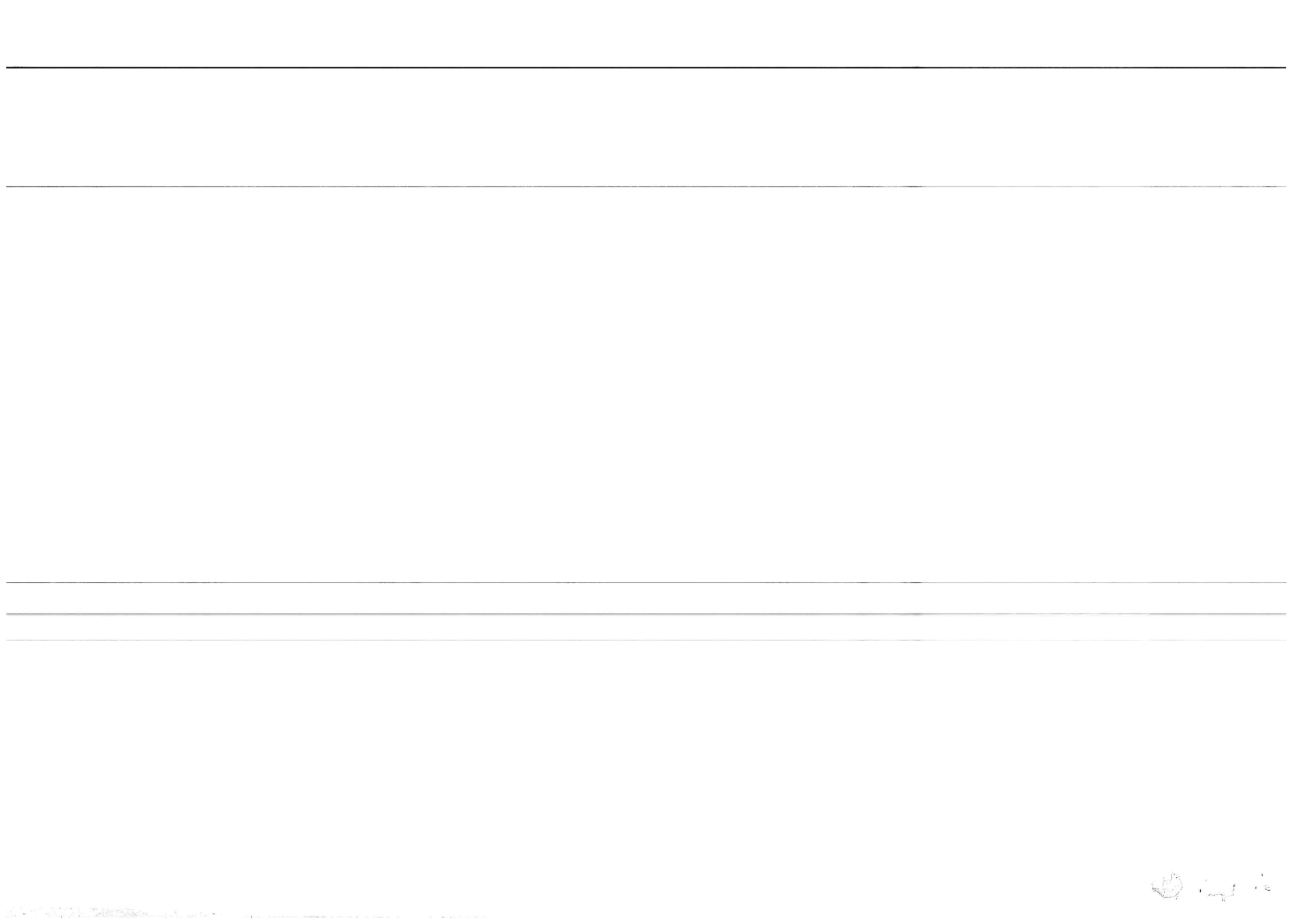
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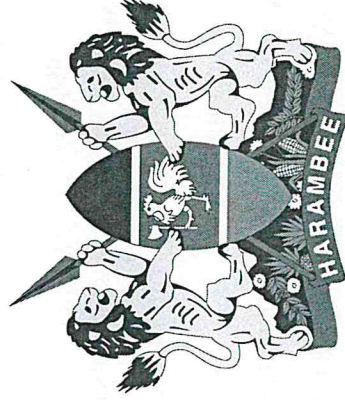
ON

**STATE DEPARTMENT FOR SHIPPING AND
MARITIME**

**FOR THE YEAR ENDED
30 JUNE, 2021**



REVISED



STATE DEPARTMENT FOR SHIPPING AND MARITIME – VOTE 1093

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

STATE DEPARTMENT FOR SHIPPING AND MARITIME
Reports and Financial Statements
For the year ended June 30, 2021.

Contents

1. KEY ENTITY INFORMATION AND MANAGEMENT	1
2. FORWARD BY THE CABINET SECRETARY	8
3. STATEMENT OF PERFORMANCE AGAINST THE STATE DEPARTMENT'S PREDETERMINED OBJECTIVES.....	14
4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	16
5. STATEMENT OF MANAGEMENT RESPONSIBILITIES	23
6. REPORT OF THE INDEPENDENT AUDITORS ON THE STATE DEPARTMENT FOR SHIPPING AND MARITIME.....	25
7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021	26
8. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE, 2021	27
9. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021	28
10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED	29
11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	30
12. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	31
13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES	32
14. SIGNIFICANT ACCOUNTING POLICIES	33
15. NOTES TO THE FINANCIAL STATEMENTS	38
16. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS	45
17. OTHER IMPORTANT DISCLOSURES	46

STATE DEPARTMENT FOR SHIPPING AND MARITIME
Reports and Financial Statements
For the year ended 30, June 2021.

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The State Department for Shipping and Maritime was established Vide Executive Order No.1 of 2016, re-organized Vide Executive Order No.1 of 2018 and subsequently, Executive Order No.1 2019 in the Ministry of Transport, Infrastructure, Housing, Urban development and publicworks. The Cabinet Secretary is responsible for the general policy and strategic direction of the entity.

At Cabinet level, the Department is headed by the Cabinet Secretary, for Transport, Infrastructure, Housing and Urban Development and Public works. The implementation of the budget for the entity is overseen by the Principal Secretary who is the Accounting Officer for Vote 1093, while day-to-day operation and execution of the budget is administered by Secretary Administration.

The Department is mandated to provide overall policy direction and development of the Shipping and Maritime sector. In the execution of its mandate, the Department has set out its Vision as ‘A leader in the promotion of Shipping and Maritime’.

The functions for the State Department in line with the revised Executive Order No. 1 of 2020 issued on 14th June 2020 are:

- Promotion of Maritime and Shipping industry
- Ship registration in Kenya
- Marine Cargo Insurance
- Establishment of Effective and Admiralty Jurisdiction
- Development of a Central Data and Information Centre
- Human Resource Development and Research in support of Kenya’s Shipping Industry
- Monitoring and advising on usage of Kenya’s Exclusive Economic Zone in collaboration with other actors.

In carrying out its mandate, the State Department is bound by the National Values and Principles of Governance stipulated in Article 10, and the Values and Principles of Public Service stipulated in Article 232 of the Constitution of Kenya, 2010.

The operations are guided by the following core values and principles:

- Good governance - Integrity, Transparency, Accountability, Public Participation
- Non-discrimination – Equity, Inclusiveness, Valuing Diversity, Social Justice
- Professionalism – Promoting collective responsibility and team spirit
- Patriotism – Promotion and Protection of National Interest
- Sustainable Development - Nurturing innovation and creativity

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

(b) Key Management

The day-to-day management for the State Department is under the following key organs:

- Cabinet Secretary
- Chief Administrative Secretary
- Principal Secretary
- Secretary Administration

(c) Fiduciary Management

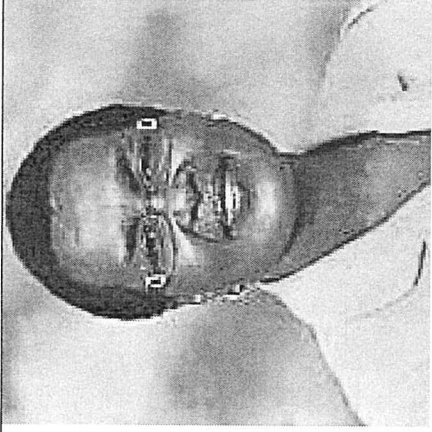
The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

Table 1: Key management personnel

NO.	DESIGNATION	NAME
1.	Accounting Officer	Mrs. Nancy W.Karigithu, CBS,
2.	Secretary Administration	Fredrick Shisia, MBS
3.	Head of Finance Services	Mr. Jim Maina Chira
4.	Head of Human Resources	Mrs. Rosemary W, Gichohi
5.	Head of Accounting Services	Mrs. Margaret Nyaywera
6.	Head of Supply Chain Management	Mr, Ferdinand Wandera

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

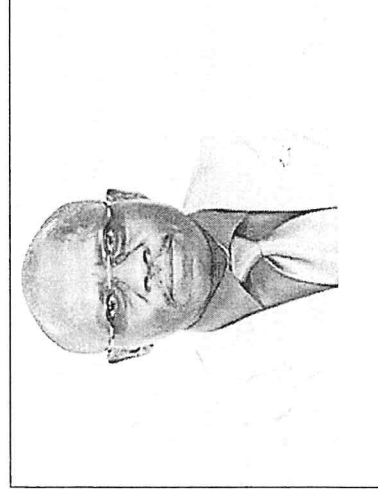
Table 1.1 Senior Management – Cabinet Secretary

 James W. Macharia, EGH Cabinet Secretary, Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works	Mr. James W. Macharia, EGH is the Cabinet Secretary for Transport, Infrastructure, Housing, Urban Development and Public Works. Before that he was the Cabinet Secretary, Ministry of Health. Group Managing Director National Industrial Credit Bank (NIC) Bank, Managing Director of the African Banking Corporation, Tanzania, Managing Director African Banking Corporation Zambia among others. He holds Master of Business Administration (MBA) degree from Henley Management College, UK Bachelor of Commerce from University of Nairobi. Chartered Accountant with the Institute of Chartered Accountants in England and Wales, Certified Public Accountant with Institute of Certified Public Accountants; (CPA)
 Mrs. Nancy Karigithu, CBS Principal Secretary, State Department for Shipping and Maritime	Mrs. Karigithu who is currently the Principal Secretary, State Department for Shipping and Maritime in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works holds a Bachelor's Degree in Law from the University of Nairobi and a Master's Degree in International Maritime Law from the IMO International Maritime Law Institute, Malta. She was the Director General (DG) of Kenya Maritime Authority (KMA) where she served as such for nine (9) years. She also served as the Chair of the International Maritime Organization (IMO) for three (3) terms and she currently sits on the Board of Governors of the World Maritime University (WMU) based in Malmo, Sweden. She has a working experience of 30 years, 26 of them in the maritime industry. As the first substantive Director General (DG) of Kenya Maritime Authority where she served for 9 years, she updated the legal framework for maritime activities in Kenya, business plans, annual operating budgets and generally advising the Government on maritime issues. Previous work experience includes a stint State Counsel in the Office of the Attorney General, Senior Legal Officer at the Kenya Ports Authority (KPA) where she rose to the post of an acting Assistant Corporation Secretary. In 1995, Mrs. Karigithu

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

	resigned from KPA to set up a private legal consultancy firm. She also consulted extensively for IMO in sub-Sahara Africa in the Economic Commission for Africa (ECA), the East African Community and the African Union (AU). Between 2004 and 2005, she served as Transport Expert for the African Union. In this capacity, she engaged on advising governments in the region on the setting up of independent maritime administrations and strengthening of maritime legal frameworks. Mrs. Karigithu is a regular speaker at international conferences and seminars on topics dealing with maritime transport, safety and security as well as strengthening maritime administrations. She was involved in the setting up and launch of the Association of Women in the Maritime Sector in Eastern & Southern Africa (WOMESA) where she served for two terms as a Chairperson and now sits on the governing council. WOMESA is a first regional body which brings together women professionals in the maritime sector of 26 countries in Eastern and Southern Africa. She was instrumental in organizing the first ever Heads of Maritime Administrations and Ship Registrars Conference held in Mombasa, Kenya in October 2013, and which has since formed into the Association of Maritime Administration in Africa. Mrs. Karigithu also organized the first National Maritime Conference which took place in February 2015 and brought together key stakeholders of the international maritime industry to Kenya. Before her present appointment, Mrs. Karigithu was working as a short-term legal expert for the European Union (EU) project Critical Maritime Routes, aimed at enhancing Maritime situational awareness in the Indian Ocean.
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THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.



Mr. Fredrick K. Shisia, MBS
Secretary Administration
State Department for Shipping
and Maritime

Mr. Fredrick Shisia, MBS joined the State Department for Maritime and Shipping as the Secretary Administration to head Administrative Services in June 2020. He has a work experience spanning 32 years in Government. In Central Government, at the Ministry of Interior and several other departments. He has served in the field for some years in Provincial Administration. He holds a Bachelor of Public administration from university of Nairobi and Masters in Public Policy and Administration from Institute of Social Studies the Hague Holland in Netherlands



CPA Margaret Nyaywera
Deputy Accountant General

CPA Margaret Nyaywera is the Head of Accounting Unit in the State Department for Shipping and Maritime. She has a wealth of experience having served the Government in different Ministries. She holds a Masters from Moi University. She is a Certified Public Accountant, Kenya, She is a member of Institute of Certified Public Accountant of Kenya (ICPAK). She is a certified Director by Institute of Directorship in collaboration with Federation of employers.

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

(d) Fiduciary Oversight Arrangements

The Accounting Officer is supported by various appointed committees to execute the annual budget as per the prevailing policy, law, regulations and circulars issued from time to time. The Committees comprises of Budget Implementation Committee, Ministerial Human Resource Management Advisory Committee (MHRAC), Ministerial performance committee, Ministerial Audit committee, Procurement Committee and Project Management Committee among others.

The members of the Committees are professional/technical staff drawn from various Departments and sections. They possess a wide range of professional expertise and experience to make objective decisions in advising the Accounting and Authorized Officers appropriately. Upon appointment, the members of respective Committees are inducted in matters related to their mandate. The term of each Committee expires at the end of the financial year. In the subsequent financial year, new committees shall be appointed.

(e) Entity Headquarters

P.O. Box 52692-00200

Transcom, House Annex

NAIROBI, KENYA

Entity Contacts

Telephone: (254) 020 2729200

E-mail: ps@maritimeshipping.go.ke

Website: www.transport.go.ke

(f) Entity Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

NAIROBI, KENYA

(g) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

NAIROBI, KENYA

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

(h) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

2. FORWARD BY THE CABINET SECRETARY

The State Department for Shipping and Maritime, during the financial year 2020/2021 vide Vote head 1093 was allocated a budget of Ksh.2,496,757,055. This budget comprised Ksh.1,646,757,055 recurrent while Kshs.850,000,000 was allocated for development. The development allocation for the year comprised of:

- a) Kshs.364,000,000 budget for the Multi-National Lake Victoria Communication and Transport (MLVMCT) Project to be financed by jointly by the AFDB Ksh. 340,000,000 and GOK 24,000,000
- b) Ksh. 486,000,000 budgets for construction of Kenya Maritime Authority Headquarters to be financed from internal revenue and GOK

The budget was appropriated in one programme namely shipping and Maritime Affairs. Three sub-programmes: Administration Services, Shipping Affairs and Maritime Affairs

Sub-Programme 1: Administration Services

This sub-programme facilitates General Administration Services and Support Services of the State Department. The support services comprise of the following: Administration, CPPMU, Finance, Accounts, Supply Chain Management, ICT, Public Communication, Internal Audit, Human Resource Management and Development, to enhance efficient and effectiveness in the implementation of the activities of the State Department. The sub-programme was allocated **Kshs.142, 467,166** which is 6% of the total budget allocation.

Sub-Programme 2: Shipping Affairs

This sub-programme aims at promoting the Shipping industry, commercial Shipping and data management division, Inland water development Division. It was allocated **Kshs.62,694,083** which is equivalent to 3% of the budget allocation.

Sub-Programme 3: Maritime Affairs

The sub-programme promotes Maritime affairs that is;

- i) Maritime Policy, Research, Training and Development.
- ii) Maritime pollution control, safety and security.
- iii) Marine Casualty Investigation.

It was allocated Kshs 2,291,595,806 equivalents to 91% of the total budget allocation.

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

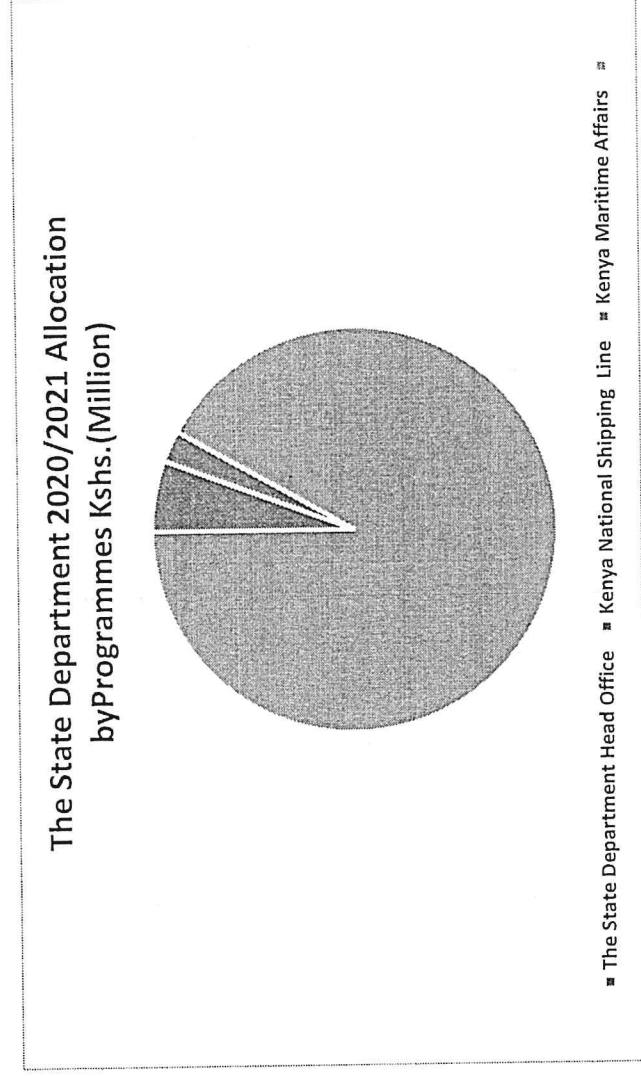
Allocation by Sub-Programmes

Table 3 shows the budgetary allocation for the State Department for Shipping and Maritime headquarters and its Semi-Autonomous Government Agencies in the Financial Year 2020/2021:

Table 3: Resource Allocation by Programmes for Financial Year 2020/2021

Sub- Programmes	Allocation Kshs.
Administration Services	142,467,166
Shipping Affairs	62,694,083
Maritime Affairs	2,291,595,806
Total	2,496,757.055

The allocation of resources by Programme in the State Department for 2020/2021 financial is graphically shown in Figure 1.



THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

Table 4: Allocation Resources in the State Department for Shipping and Maritime Vote by Economic Classification for 2020/2021 Financial Year

Expenditure by Economic Classification	Approved Budget Allocation	
	Kshs.	
Current Expenditure		1,646,757,055
Compensation to Employees		93,325,595
Use of Goods and Services		48,484,855
Current Transfers (See Note)		1,500,000,000
Social Benefits		674,405
Acquisition of other assets		4,302,200
Capital Expenditure		850,000,000
Compensation to Employees		-
Use of Goods and Services		-
Acquisition of other assets		850,000,000
Total Expenditure		2,496,757,055

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2021 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

Actual Performance against Budget for Year to 30th June 2021

Financial Performance	Printed Estimates	Actual	Variance	% Utilisation
	KShs	KShs	KShs	Variance
Total Receipts	2,496,757,055	2,165,628,636	331,128,419	87
Total Payments	2,496,757,055	2,162,639,709	(334,117,346)	87
Surplus for the Year		2,988,927	(2,988,927)	

Actual receipts by the Department stood at 13% below budget while actual payments were 13% below budget. The actual receipts were 13 % below the budget due to non-disbursement of development loan due to project delay occasioned by technical design gaps year June 2021 thus affecting procuring of goods and services. The 13% actual payment below the budget is mainly attributable to underutilisation of budget allocation for acquisition of assets and use of goods and services.

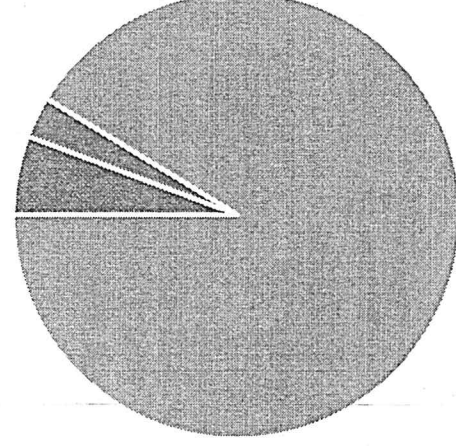
THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

Budget Utilisation

The State Department for Shipping and Maritime spent KSh.2,152,843,498 against an approved budget of KSh.2,496,757,055. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below

Economic Expenditure Item	Approved Budget Allocation	Actual Payments		Variance	
	KShs	KShs		KShs	
Compensation of Employees	93,325,595	93,062,370		263,225	
Use of goods and services	48,454,855	46,244,523		2,210,332	
Transfers to Other Government Units	230,000,000	230,000,000		0	
A.I.A EXPENSES	1,780,000,000	1,789,796,211		(9,796,211)	
Social Security Benefits	674,405	674,405		0	
Acquisition of Assets	4,302,200	2,862,200		1,440,000	
Total Payments	2,496,757,055	2,162,639,709		334,117,346	

BUDGET PERFORMANCE



■ Compensation of Employees ■ Use of goods and services ■ Transfer to other Government entities

*THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.*

Key Achievements

Major achievements for the State Department during the FY 2020/2021 included

- Draft Maritime Education and Training (MET) Policy develop
- Negotiated and signed two (2) MOUs with Republic of Liberia and Republic of Jamaica on recognition of Kenya seafarers' certificates;

- Held two (2) stakeholders' sensitization campaigns on potentials in the blue economy;
- Conducted two (2) campaigns to raise awareness on investment in the maritime Sector;

Emerging Issues.

The emerging issues that have impacted the operations of the State Department for Shipping and Maritime include;

- Covid-19 Pandemic and the containment measures led to depressed operations within the the State. These constrained the implementation of planned activities for the Department.
- Re-allocation of resources to finance Covid-19 related expenditures thus affecting implementation of some programmes and projects.
- Change in Government Policies that led to adjustment in the implementation of planned programmes and projects.

Challenges faced and Strategies for their de-limitation

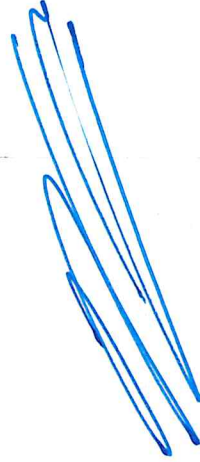
The State Department faced some challenges in the implementation of the 2020/2021 which undermined service delivery. These include:

- **Budgetary constraints:** The Department's budget for 2020/2021 was underfunded. The problem was further compounded by unprecedented budget cuts in the middle of the financial year which delayed the implementation of programmes and projects under execution.
- **Late Exchequer Releases:** Funds for execution of projects and service delivery were received late thus affecting service delivery.
- **Expenditure reduction strategies:** The department had to take austerity measures and relevant re-prioritization of projects funding to those with greatest impact.
- **Pending Bills:** The Department had pending bills which were given first priority to be cleared leaving little resources for services delivery in the new financial year.

*THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.*

Recommended Way Forward.

In pursuit of her mandate, the State Department will ensure prudent Financial Management in accordance with Public Finance Management (PFM) Act. In addition, the Department is in the process of engaging Technical and Support Staff and move to the new premises at the NSSF Annex building in order to fully operationalize the department. Capacity building to the existing staff will also undertake to further improve the Department's capacity to achieve its objectives.



JAMES W. MACHARIA, EGH

CABINET SECRETARY

MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING, URBAN
DEVELOPMENT AND PUBLIC WORKS.

*THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.*

**3. STATEMENT OF PERFORMANCE AGAINST THE STATE DEPARTMENT'S
PREDETERMINED OBJECTIVES**

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The State Department's strategic objectives as per the strategic plan for FY 2020- FY 2021 plan are to:

- a) Improve Maritime Commercial Services
- b) Enhance Maritime Administration
- c) Develop Inland Water Transport Services
- d) Enhance Maritime Casualty Investigation
- e) Strengthen Institutional, Legal and Policy Framework

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

Progress on attainment of Strategic Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Program	Strategic Objective	Outcome	Indicator	Performance
Maritime and Shipping Affairs	Strengthen Institutional, Legal and Policy Framework	Maritime Policies	No. of Reports	A Draft MET Policy in place
	Strengthen Institutional, Legal and Policy Framework	Improve implementation	No. of reports	Two (2) M&E exercises were carried out
	Improve Maritime Commercial Services	Awareness created on the potentials in the Blue Economy	No. of Stakeholders' sensitization, Awareness campaigns on the potentials in the Blue Economy	-Held two (2) stakeholders' sensitization campaigns on the potentials in the Blue Economy -Conducted two (2) campaigns to raise awareness on investment in Maritime Sector
	Improve Maritime Commercial Services	Investment opportunities created	Number of campaigns conducted to raise awareness in the investment in the Maritime Sector	Negotiated and signed two (2) MOUs with Republic of Liberia and Republic of Jamaica

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

**4. CORPORATE SOCIAL RESPONSIBILITY
STATEMENT/SUSTAINABILITYREPORTING**

INTRODUCTION

The Economic Commission for Africa Sub- Regional Office for Eastern Africa 19th Session of the Intergovernmental Committee of Experts meeting held on 2nd -5th March, 2015, in Antananarivo, Madagascar on “Harnessing the Blue Economy for the development of Eastern Africa”, the meeting urged States in Africa to mainstream the Blue Economy into their national and regional development plans, where applicable. In the meeting, States were encouraged to establish the necessary institutions and build the relevant capacities to better harness the potential in the Blue Economy Sector.

In view of the above, His Excellency, The President through Executive Order No. 1/2016 on “Organization of the Government of the Republic of Kenya” established a fully-fledged State Department for Shipping and Maritime within the Ministry of Transport, Infrastructure, Housing and Urban Development. Through executive order No.1 of 2018 (revised), the Department was renamed - Shipping and Maritime in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.

The sustainable efforts made by the State Department for Shipping and Maritime in regard to sustainable efforts, broad trends in political and macroeconomics affecting sustainability priorities, references to the international best practices and key achievements and failures are as follows: -

POLITICAL

The Government has been very supportive of the maritime industry and the Blue Economy as exemplified by the following actions:

- H.E the President through Executive Order No.1 of 2016 on re-organization of the government of republic of Kenya established a fully-fledged State Department for Shipping and Maritime.
- H.E the President through Legal Notice No. 233 of 28th November 2018, established the Bandari Maritime Academy
- Signing of MOU on Establishment framework on Revival of KNSL in August 2018 between the Cabinet Secretary for MOTIHUD and PW and Mediterranean Shipping Company Ltd.

1. SUSTAINABILITY STRATEGY AND PROFILE

The State Department will continue to engage the relevant Government agencies for increased funding for priority programmes, through the parent Ministry. The Department will mobilize adequate resources from the Government and development partners, while at the same time ensuring prudent management of available resources. In order to harness more resources from Government and the Partners, the Department will: Develop and implement a resource mobilization strategy (Fund raising strategies); Seek alternative revenue streams from both commercial (projects) sources and development partners support; Lobby for more funding from the exchequer through the parent Ministry; and Concentrate its resources on the plan priority areas for efficiency and effectiveness.

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

In addition to the above, sustainable effort has been made to ensure BMA and KNLSL have met their objectives as follows:

- BMA has so far trained 940 seafarers and port workers and is moving ahead with training and expected to train 2000 in the year 2021/2022
- KNLSL which was a drain on the exchequer is expected to begin making some money after restructuring. Government Clearing Agency (GCA), the Government clearing Agency, is being merged with KNLSL which will improve logistics of KNLSL while sustaining KNLSL. After restructuring KNLSL Cargo from MSC ships will be distributed to small ports including Lamu by KNLSL.

BENCH MARKING WITH INTERNATIONAL BEST PRACTICE

The maritime Industry is Bench marked with the International Best Practice by adhering to IMO conventions and guidelines. Kenya is signatory to 32 Conventions out 59. These Conventions are related Maritime Safety, Security and the Protection of the Marine Environment. In addition, some of the conventions Kenya has signed deal with oil spill damage compensation and Oil spill response contingency planning. The training of seafarers is also governed by Standards of Training, Certification and Watch keeping (STCW) 78 Convention, as amended has been advocating for the mainstreaming of sustainability matters. This is well augmented with the International Maritime Organization's vision and Mission on safe, secure and cleaner oceans for sustainable shipping. Matters of climate change are causing eminent threat to sustainability issues. The State Department has been championing matters of marine environment protection through various initiatives. This has been done in championing initiatives that are geared towards environment protection to ensure that the environment has remained resilient for future generations.

Some of the notable activities undertaken by the downstream Semi-Autonomous Agencies through policy directives includes the planting of the mangrove forests in the coastal region alongside the Government initiatives of planting trees which is usually conducted every year to improve the forest cover and contribute initiatives to general improvement of the environment

2. ENVIRONMENTAL PERFORMANCE

Tree Planting

The State Department for Shipping and Maritime has been advocating for the mainstreaming of sustainability matters. This is well augmented with the International Maritime Organization's vision and Mission on safe, secure and cleaner oceans for sustainable shipping.

The State Department has been championing matters of marine environment protection through various initiatives. This has been done in championing initiatives that are geared towards environment protection to ensure that the environment has remained resilient for future generations. Some of the notable activities undertaken by the downstream Semi-Autonomous Agencies through policy directives includes the planting of the mangrove forests in the coastal region alongside the

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

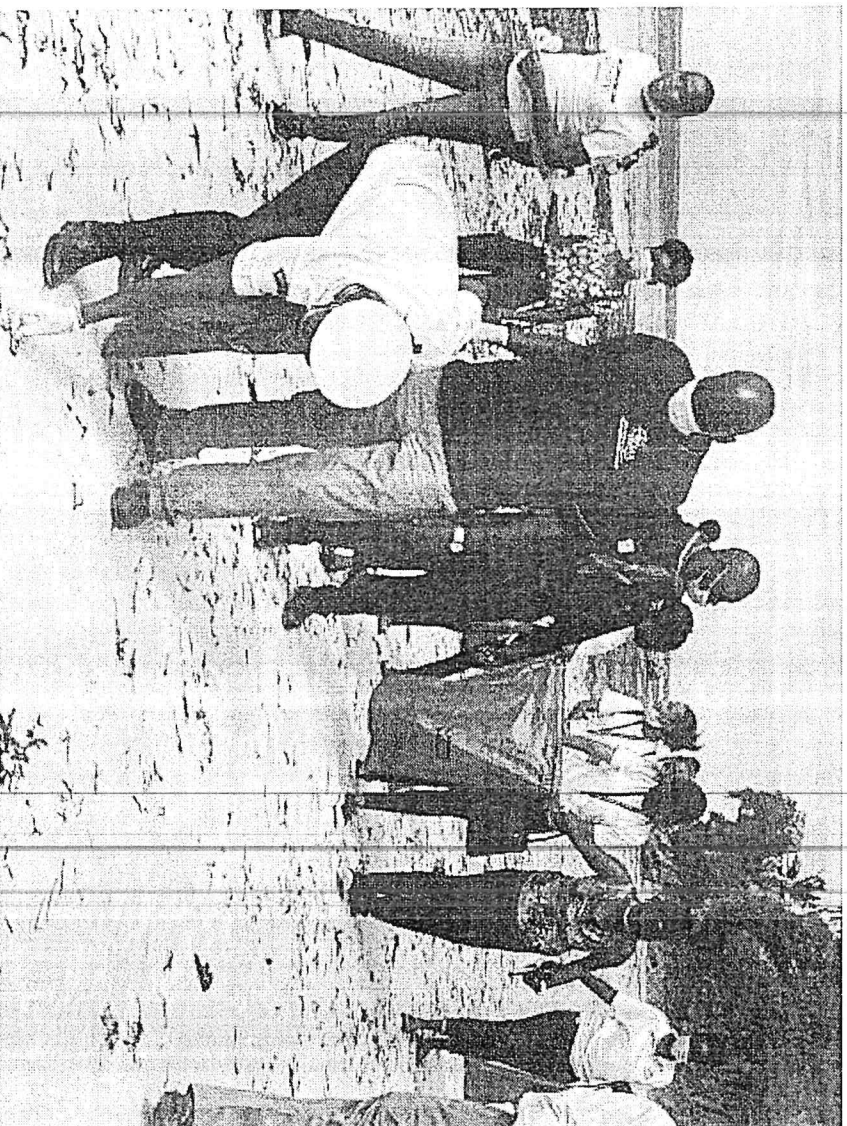
Government initiatives of planting trees achieve 10% cover which is usually conducted every year to improve the forest cover and contribute initiatives to general improvement of the environment. The State Department of Shipping in conjunction with Kenya Maritime Authority (KMA) planted 40,000 mangroves in a bid to increase Kenya's forest cover and reduce greenhouse gas emissions (GHGs) in the atmosphere. This is in line with the presidential directive (10% forest cover) and the Paris Agreement that Kenya has ratified and signed which aims to reduce GHGs in the fight against climate change.

Some of the notable activities undertaken by the downstream Semi-Autonomous Agencies through policy directives includes the planting of the mangrove forests in the coastal region alongside the Government initiatives of planting trees which is usually conducted every year to improve the forest cover and contribute initiatives to general improvement of the environment

*THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.*



THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.



KMA

team with local and other stakeholders during a beach clean-up exercise.

IMO 2020 REGULATION

From 1 January 2020, the global upper limit on the Sulphur content of ships' fuel oil will be reduced from 3.5% to 0.50%. The reduced limit is mandatory for all ships operating outside certain designated Emission Control Areas, where the limit is already 0.10%.

The resulting reduction in Sulphur Oxide (SOx) emissions from ships is having major health and environmental benefits for the world, particularly for populations living close to ports and coasts.

Sulphur oxides are harmful to human health, causing respiratory, cardiovascular and lung disease.

Once released in the atmosphere, SOx can lead to acid rain, which affects crops, forests and aquatic species and contributes to the acidification of the oceans.

KMA ENFORCEMENT

KMA discharges Flag and Port State responsibilities to implement and enforce international conventions, treaties and agreements, which Kenya is party to. This include ship waste management and pollution control on both coastal and inland waters. KMA has put regulations that guide collection

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

and disposal of ships in line with international conventions to ensure that waste is not dumped within our territorial waters.

KMA ensures consistent and effective implementation of the 0.5% Sulphur limit through Port state control inspections which verifies the ship's compliance.

Compliant fuel oil will be available from oil suppliers that serve vessels operating in Kenya. The IMO has developed guidance on best practice for fuel suppliers for assuring the quality of fuel oil delivered to ships which has been domesticated by Kenya Maritime Authority (*National Guideline On*

Implementation Of IMO 2020: MARPOL ANNEX VI requirement For Marine Fuel Oil December, 2019)

3. EMPLOYEE WELFARE

Employee welfare is critical for effective implementation of the programmes and projects of an organization. Noting the importance of human resources, the State Department has:

- The Department has a committee established to handle Human Resources Management and Development.
- The Department has also established a Human Resource Management Advisory Committee that process all the promotions, discipline, training, appraisal and general employee matters in line with the Public Service guidelines and procedures.
- The Department has a committee on occupational safety and health has been established to follow up of the safety conditions in the work place.
- The Department has continued to build the capacity on the online staff appraisal management system in collaboration with the Public Service Commission to ensure seamless implementation of the system.

4. MARKET PLACE PRACTICES

The Department fulfilled the Market practices as follows:

(a) Responsible competition practice

All procurements by the said department are subject to the rules and principles of the Public Procurement and Asset Disposal Act (2015) and regulations 2020.

The State Department when processing procurement under section 157(5) of the Act, allocates at least thirty percent (30%) and forty percent (40%) of its annual procurement budget for the purposes of procuring goods, works and services from enterprises owned by youth, women and persons with disability and citizen contractors respectively (Buy Kenya Build Kenya). During the Financial Year 2020/2021 Kshs 46,464,261 and Kshs 14,017,742 of the total budget allocation (Kshs 5,607,097) was allocated to AGPO and local contractors.

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

(b) Responsible Supply chain and supplier relations

Where open tender is not used, the State Department maintains a list of registered suppliers which is updated every six months. The State Department uses the list to identify suppliers who demonstrate technical capability and competence to perform and ensures that all the suppliers are given equal opportunity during bidding.

(c) Prompt payment

Subject to the availability of funds and after proper certification of the goods, services or works have been done, the State Department ensures prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and makes payment within sixty days from the date of receipt of the invoice.

5. COMMUNITY ENGAGEMENTS

To mitigate technological hazards, fire and natural disasters, the State Department for Shipping and Maritime engaged a professional security services firm contracted for purposes of enhancing security in the Department. The Department continued to improve security within the building and its environs by use of CCTV cameras installed at the National Social Security Fund Building and at the entrances and maintained fire fighting facilities at the premises in collaboration with the State Department for Public Works.

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

5. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Shipping and Maritime is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year(period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Shipping and Maritime accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2021, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for Shipping and Maritime further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the State Department for Shipping and Maritime confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants(where applicable), and that the entity's funds received during the year under audit were used

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Department's financial statements were approved and signed by the Accounting Officer on 09/12/2021.



Principal Secretary

Name: NANCY W. KARIGITHU, CBS



Deputy Accountant General

Name: Margaret Nyaywera

ICPAK Member Number: 5429

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR SHIPPING AND MARITIME FOR THE YEAR ENDED 30 JUNE, 2021

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of State Department for Shipping and Maritime set out on pages 26 to 45, which comprise the statement of

Report of the Auditor-General on State Department for Shipping and Maritime for the year ended 30 June, 2021

assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation: recurrent and development combined, 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, the financial statements present fairly, in all material respects, the financial position of the State Department for Shipping and Maritime as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Shipping and Maritime 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 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. Pending Accounts Payable

Annex 1 to the financial statements reflects pending accounts payable of Kshs.8,666,783 as at 30 June, 2021. Management has not provided reasons for non-payment of the bills which exposes the State Department to the risk of incurring significant interest costs and penalties due to the continued delay in making payments. Failure to settle bills during the year in which they relate adversely affects the provisions of the subsequent year to which they have to be settled as a first charge.

2. Budgetary Performance and Control

The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.2,496,757,055 and Kshs.2,165,628,636 respectively resulting to an under-funding of Kshs.331,128,419 or 13% of the budget. Similarly, the State Department expended Kshs.2,162,639,709

Basis for Conclusion

Audit Committee

During the year under review, the State Department nominated five members to the Audit Committee. However, available information indicates that the Committee met only once contrary to Section 179(1) of the Public Finance Management (National Government) Regulations which states that the audit committee shall meet at least once in every three months.

In the circumstances, the effectiveness of the audit committee for the year ended 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require 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 those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue to sustain 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 State Department or to cease operations.

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

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

Those charged with governance are responsible for overseeing the State Department's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address

against an approved budget of Kshs.2,496,757,055 resulting to an under-expenditure of Kshs.334,117,346 or 13% of the approved budget.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter 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

Non-Compliance with the National Cohesion and Integration Act, 2008

During the year under review, the State Department had sixty-seven (67) employees out of whom twenty-four (24) or 36 % of the total number were members of the same community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

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

Basis for Conclusion

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 the State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department 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 State Department 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 Nantso Sathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2022

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020-2021	2019-2020
RECEIPTS		Kshs	Kshs
Exchequer releases	1	375,832,425	336,836,816
Other Receipts	2	1,789,796,211	
TOTAL RECEIPTS		2,165,628,636	336,836,816
PAYMENTS			
Compensation of Employees	3	93,062,370	78,512,506
Use of goods and services	4	46,244,523	49,615,422
Transfers to Other Government Entities	5	2,019,796,211	200,000,000
Social Security Benefits	6	674,405	
Acquisition of Assets	7	2,862,200	3,245,000
TOTAL PAYMENTS		2,162,639,709	331,372,928
SURPLUS/DEFICIT		2,988,927	5,463,888

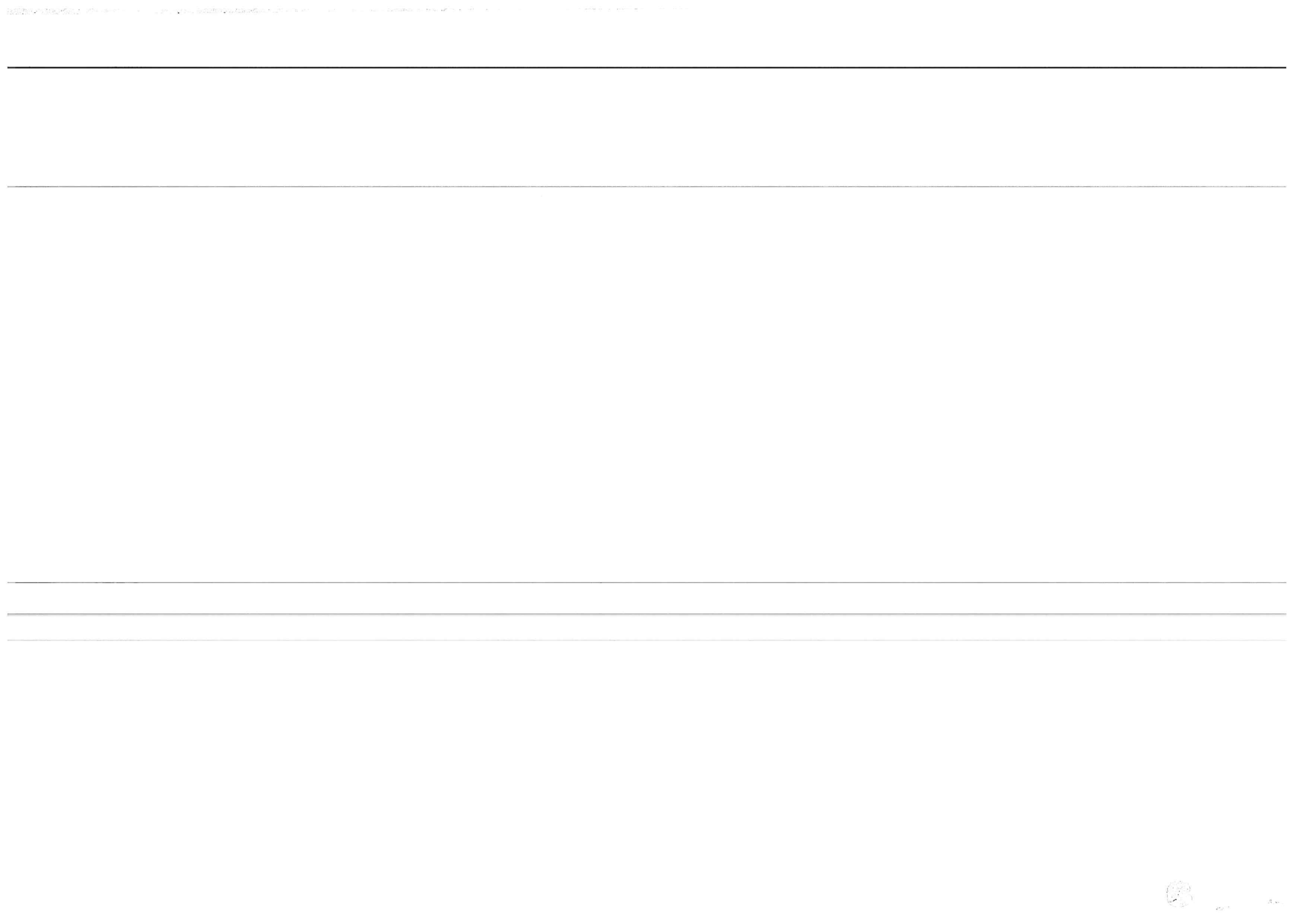
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 09/12 2021 and signed by:



Principal Secretary
Name: NANCY W, KARIGITHU CBS



Deputy Accountant General
Name: Margaret Nyaywera



THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

8. STATEMENT OF ASSETS AND LIABILITIES AS AT 30TH JUNE, 2021

	Note	2020-2021 Kshs	2019-2020 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8	4,267,780	7,016,811
Cash Balances			3,300
Total Cash and cash equivalent		4,267,780	7,020,111
Accounts Receivables – Outstanding Imprests	9	32,883	-
TOTAL FINANCIAL ASSETS		4,300,663	7,020,111
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	10	(1,311,736)	(1,556,223)
NET FINANCIAL ASSETS		2,988,927	5,463,888
REPRESENTED BY			
Fund balance b/fwd.	11	5,463,888	5,969,083
Prior year adjustment	12	(5,463,888)	(5,969,083)
Surplus/Deficit for the year		2,988,927	5,463,888
NET FINANCIAL POSITION		2,988,927	5,463,888

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2021 and signed by:



Principal Secretary
Name: NANCY W, KARIGITHU CBS



Deputy Accountant General
Name: Margaret Nyaywera
ICPAK Member Number: 5429

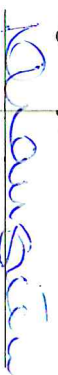
STATE DEPARTMENT FOR SHIPPING AND MARITIME
Reports and Financial Statements
For the year ended 30, June 2021.

9. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2021

		2020-2021	2019-2020
		Kshs	Kshs
Receipts for operating income			
Exchequer Releases	1	375,832,425	336,836,816
Other Receipts	2	1,789,796,211	
Payments for operating expenses		2,165,628,636	336,836,816
Compensation of Employees	3	93,062,370	78,512,506
Use of goods and services	4	46,244,523	49,615,422
Transfers to Other Government Units	5	2,019,796,211	200,000,000
Social Security Benefits	6	674,405	
		5,851,127	8,708,888
Adjusted for:			
Adjustments during the year			
Decrease/(Increase) in Accounts Receivable		(32,883)	
Increase/(Decrease) in Accounts Payable		(244,487)	(807,150)
Prior Year Adjustments		(5,463,888)	(5,969,083)
Net cash flow from operating activities		109,869	1,932,655
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	8	-	-
Acquisition of Assets	19	(2,862,200)	(3,245,000)
Net cash flows from Investing Activities		(2,862,200)	(3,245,000)
CASHFLOW FROM BORROWING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENT		(2,752,331)	(1,312,346)
Cash and cash equivalent at BEGINNING of the year	22	7,020,111	8,332,456
Cash and cash equivalent at END of the year	22	4,267,780	7,020,111

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 09/12/2021 2021 and

signed by:



Principal Secretary
Name: NANCY W, KARIGITHU CBS



Deputy Accountant General
Name: Margaret Nyaywera
ICPAK Member Number: 5429

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts	-	-	-		-	-
Social Security Contributions	-	-	-		-	-
Exchequer releases	397,605,056	-20,848,001	376,757,055	375,832,425	924,630	99.8
Other Receipts (ALA)	2,120,000,000		2,120,000,000	1,789,796,211	330,203,789	84.4
TOTAL RECEIPTS	2,517,605,056	-20,848,001	2,496,757,055	2,165,628,636	331,128,419	86.7
PAYMENTS						
Compensation of Employees	96,000,000	-2,674,405	93,325,595	93,062,370	263,225	99.7
Use of goods and services	60,430,651	(11,975,796)	48,454,855	46,244,523	2,210,332	95.4
Transfers to Other Government Units	2,358,000,000	-8,000,000	2,350,000,000	2,019,796,211	330,203,789	85.9
Social Security Benefits	674,405		674,405	674,405	0	100.0
Acquisition of Assets	2,500,000	1,802,200	4,302,200	2,862,200	1,440,000	66.5
Other Payments	-	-	-			
TOTAL PAYMENTS	2,517,605,056	-8,872,205	2,496,757,055	2,162,639,709	334,117,346	86.6
Surplus/Deficit				2,988,927	-2,988,927	

- i. The underutilization on the Acquisition of Assets at 67% was due to budget cuts during Covid-19 restrictions.
- ii. The under collection of A.I.A receipts at 88% was due to COVID-19 restriction
- iii. Transfer to other Government entities at 86% was due to under collection of A.I.A by SAGAs.

The entity financial statements were approved on 09/12/2021 and signed by:



Principal Secretary

Name: NANCY W, KARIGITHU CBS



Deputy Accountant General

Name: Margaret Nyaywera

ICPAK Member Number: 5429

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts	-	-				-
Social Security Contributions	-	-				-
Exchequer releases	397,605,056	-20,848,001	376,757,055	375,832,425	924,630	99.8
Other Receipts (AIA)	1,270,000,000		1,270,000,000	1,285,636,173	-15,636,173	101.2
TOTAL RECEIPTS	1,667,605,056	-20,848,001	1,646,757,055	1,661,468,598	-14,711,543	100.9
PAYMENTS						
Compensation of Employees	96,000,000	-2,674,405	93,325,595	93,062,370	263,225	99.7
Use of goods and services	60,430,651	(11,975,76)	48,454,855	46,244,523	2,210,332	95.4
Transfers to Other Government Units	1,508,000,000	-8,000,000	1,500,000,000	1,515,636,173	-15,636,173	101.0
Social Security Benefits	674,405		674,405	674,405	0	100.0
Acquisition of Assets	2,500,000	1,802,200	4,302,200	2,862,200	1,440,000	66.5
Other Payments	-	-				
TOTAL PAYMENTS	1,667,605,056	-8,872,205	1,646,757,055	1,658,479,671	-11,722,616	100.7
Surplus/Deficit				2,988,927	-2,988,927	

i. *The underutilization on the Acquisition of Assets at 67% was due to budget cuts during Covid-19 restrictions.*

ii. *The changes between the original and final budget are as a result of reallocations within the budget and is equal to total on actual on comparable basis under the Combined Summary Statement of Appropriation.*

The entity financial statements were approved on 09/12/2021 and signed by:



Principal Secretary

Name: NANCY W, KARIGITHU CBS,



Deputy Accountant General

Name: Margaret Nyaywera

ICPAK Member Number: 5429

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

12. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts	-	-	-		-	-
Social Security Contributions	-	-	-		-	-
Exchequer releases	-	-	-		-	-
Other Receipts - AIA	850,000,000		850,000,000	504,160,038	345,839,962	59.3
TOTAL RECEIPTS	850,000,000		850,000,000	504,160,038	345,839,962	59.3
PAYMENTS						
Compensation of Employees						
Use of goods and services						
Transfers to Other Government Units	850,000,000		850,000,000	504,160,038	345,839,962	59.3
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets						
Acquisition of Other Assets						
TOTAL PAYMENTS	850,000,000		850,000,000	504,160,038	345,839,962	59.3
Surplus/Deficit						

- i. *The under utilization of Budgetary allocation at 59% was due to under collection of A.I.A revenue by SAGAs and budgeted donor funding which was not requested for.*

The entity financial statements were approved on 09/12/ 2021 and signed by:



Principal Secretary
Name: NANCY W, KARIGITHU CBS,



Deputy Accountant General
Name: Margaret Nyaywera
ICPAK Member Number: 5429

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 2021	Adjustments	Final Budget 2021	Actual on comparable basis 2021	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1 (Shipping and Maritime Affairs)	149,439,207	(6,972,041)	142,467,166	139,240,298	3,226,868
Sub-programme 1 (Shipping affairs)	74,394,418	(11,700,335)	62,694,083	62,152,024	542,059
Sub-programme 2 (Maritime Affairs-Kenya Maritime Authority/BMA)	2,293,771,431	(2,175,625)	2,291,595,806	1,961,247,387	330,348,419
Total	2,517,605,056	(20,848,001)	2,496,757,055	2,162,639,709	334,117,346

STATE DEPARTMENT FOR SHIPPING AND MARITIME
Reports and Financial Statements
For the year ended 30, June 2021.

14. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

1. Reporting Entity

The financial statements are for the State Department for Shipping and Maritime. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012

2. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

3. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

The State Department recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Department.

ii) Transfers from the Exchequer

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

b) Recognition of payments

The State Department recognises all payments when the event occurs, and the related cash has been paid out by the Department.

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

iii) Acquisition of Fixed Assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

***THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.***

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

4. Cash and Cash Equivalents

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

a) Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2021 this amounted to Kshs 1,311,736 compared to Ksh 1,556,223 in prior period as indicated on note 8. There were no other restrictions on cash during the year.

5. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

*THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.*

6. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

7. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

8. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2020 for the period 1st July 2020 to 30th June 2021 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

9. Comparative Figures

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

10. 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 30th June 2021.

*THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.*

11. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

15. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES

Description	2020-2021	2019-2020
	Kshs	Kshs
Total Exchequer Releases for quarter 1	74,438,626	23,333,157
Total Exchequer Releases for quarter 2	45,609,661	140,192,481
Total Exchequer Releases for quarter 3	115,739,158	80,130,673
Total Exchequer Releases for quarter 4	140,044,980	93,180,505
Total	375,832,425	336,836,816

2 OTHER RECEIPTS

	2020-2021	2019-2020
	Kshs	Kshs
AIA Generated by KMA	1,734,160,038	
AIA Generated by BMA	55,636,173	
Totals	1,789,796,211	

3 COMPENSATION OF EMPLOYEES

	2020-2021	2019-2020
	Kshs	Kshs
Basic salaries of permanent employees	62,178,778	54,330,390
Personal allowances paid as part of salary	30,883,592	24,182,115
Pension and other social security contributions		
Employer Contributions Compulsory national social security schemes		
Total	93,062,370	78,512,506

4 USE OF GOODS AND SERVICES

	2020-2021	2019-2020
	Kshs	Kshs
Communication, supplies and services	993,000	902,600
Domestic travel and subsistence	6,644,732	5,843,951
Foreign travel and subsistence	782,700	3,762,428
Printing, advertising and information supplies	101,000	925,428

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

&services			
Rentals of produced assets		24,009,702	24,096,857
Training expenses		1,508,646	2,977,140
Hospitality supplies and services		3,877,803	3,808,777
Specialized materials and services		959,940	
Office and general supplies and services		853,290	1,944,819
Fuel Oil and Lubricants		883,383	1,856,858
Other operating expenses		4,641,490	3,107,230
Routine maintenance – vehicles and other transport equipment		733,338	344,347
Routine maintenance – other assets		255,500	45,000
Total		46,244,523	49,615,422

(Explain significant changes from prior period)

5 GRANTS AND TRANSFERS TO GOVERNMENT- SELF REPORTING ENTITIES

Description	Recurrent	Development	Total	2020-2021
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Kenya Shipping Lines	60,000,000		60,000,000	
Kenya Maritime Authority	1,230,000,000	504,160,038	1,734,160,038	
Bandari Maritime College	225,636,173		225,636,173	
TOTAL	1,515,636,173	504,160,038	2,019,796,211	

- a) The transfers to SAGAS from the Department during the financial year 2020/2021 amounted to Kshs. 230,000,000
- b) The other amount on the transfers was AIA collected and expended by Kenya Maritime Affairs amounting to Kshs. 1,789,796,211

6 SOCIAL SECURITY BENEFITS

Explanation	2020-2021	2019-2020
	Kshs	Kshs
Government pension and retirement (Gratuity)	674,405	
Total	674,405	

One employee qualified to be paid Gratuity during the financial year ended 30th June, 2021

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

7 ACQUISITIONS ASSETS

Non -Financial Assets		2020-2021	2019-2020
	Kshs		Kshs
Refurbishment of Non-Residential Buildings		636,000	
Purchase of Furniture Office and General Equipment		2,226,200	2,605,000
Overhaul of Vehicles and Other Transport Equipment			
Purchase of ICT Equipment, Software and Other ICT Assets			640,000
Total		2,862,200	3,245,000

During the financial year ended 30th June, 2021 the Department purchased office furniture

8 A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2020-2021	2019-2020
				Kshs	Kshs
<i>Central Bank of Kenya 1000384344, State Department for Shipping and Maritime</i>	Kshs	Recurrent		-	2,956,044
<i>Central Bank of Kenya 1000384368, Deposit State Department for Shipping and Maritime</i>	Ksh	Deposit		-	1,311,736
Total				4,267,780	1,556,223
					7,016,811

8 B: cash in hand

	2020-2021	2019-2020
	Kshs	Kshs
Cash in Hand – Held in domestic currency	-	3,300
Total	-	3,300

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

8 C: Cash in hand should also be analyzed as follows:

	2020-2021	2019-2020
	Kshs	Kshs
Location 1- Headquarter	-	3,300
Location 2		
Location 3		
Other Locations (<i>specify</i>)	-	
Total	-	3,300

9: Accounts Receivable

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests		
Salary advances	32,883	
Retention		
Total	32,883	

10A: ACCOUNTS PAYABLE

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Retention	1,311,736	1,556,223
Deposits		
Total	1,311,736	1,556,223

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

10 B: ANALYSIS OF DEPOSITS

Description	2020-2021	2019-2020
	Kshs	Kshs
Deposits	1,311,736	1,556,223
Total	1,311,736	1,556,223

11. FUND BALANCE BROUGHT FORWARD

Description	2020-2021	2019-2020
	Kshs	Kshs
Bank accounts	2,956,044	7,016,811
Cash in hand	-	3,300
Accounts Receivables	32,883	
Accounts Payables	(1,311,736)	(1,556,223)
Total	1,677,191	5,463,888

12. PRIOR YEAR ADJUSTMENTS

Description of the error	Balance b/f FY 2019/2020 as per audited financial statements Kshs	Adjustments during the year relating to prior periods Kshs	Adjusted ** Balance b/f FY 2019/2020 Kshs
Bank account Balances	5,460,588	(5,460,588)	-
Cash in hand	3,300	(3,300)	-
Total	5,463,888	(5,463,888)	-

The balance b/f FY 2019/2020 of Ksh 5,463,888 was surrendered to the national treasury at the beginning of the current financial year.

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

13. (INCREASE)/ DECREASE IN RECEIVABLE

	2020-2021	2019-2020
	KShs	KShs
Receivables as at 1 st July (a)		
Receivables as at 30 th June (b)		
Increase)/ Decrease in Receivables (c=(b-a))		

14. INCREASE(DECREASE) IN ACCOUNTS PAYABLE.

	2020-2021	2019-2020
	Kshs	Kshs
Payables as at 1 st July (		
Payables as at 30 th June		
Increase/ (Decrease) in payables		

RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the **State Department for Shipping and Maritime**

- i) Key management personnel that include the Cabinet Secretaries and Accounting Officers
- ii) Other Ministries Departments and Agencies and Development Projects;
- iii) County Governments; and
- iv) State Corporations and Semi-Autonomous Government Agencies.

RELATED PARTY DISCLOSURES

	2020-2021	2019-2020
	Kshs	Kshs
Key Management Compensation@765,188 PM	9,182,256	9,182,256
<u>Transfers to related parties</u>		
Transfers to SCs and SAGAs	230,000,000	200,000,000
Transfers SAGAs- AIA and Expended	1,789,796,211	
Total Transfers to related parties	2,019,796,211	200,000,000

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

Transfers from related parties			
Transfers from the Exchequer	375,832,425		336,836,816
Total Transfers from related parties	375,832,425		336,836,816

Transfers to related parties comprised of:

- 8 The transfers to SAGAS from the Department during the financial year 2020/2021 amounted to Kshs. 230,000,000
- 9 The other amount on the transfers was ALA collected and expended by Kenya Maritime Affairs amounting to Kshs. 1,789,796,211

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

**16. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S
RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
744	Variance between financial statements and Integrated Financial Management Information System	Resolved	Resolved	N/A
745	Unconfirmed Motor Vehicle Maintenance Costs	Resolved	Resolved	N/A
746	Pending Bills	Resolved	Resolved	N/A
747	Contracts without Performance Security	Pending	Pending	To be resolved in the next PAC appearance



Principal Secretary
Name: NANCY W, KARIGITHU CBS,



Deputy Accountant General
Name: Margaret Nyaywera
ICPAK Member Number: 5429

STATE DEPARTMENT FOR SHIPPING AND MARITIME
Reports and Financial Statements
For the year ended 30, June 2021.

17 OTHER IMPORTANT DISCLOSURES

ANNEX I. PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021	Outstanding Balance 2020	Comment
	A	B	C	d=a-c		
Kenya Pipeline Company	822,000	13/08/2019	0	822,000		
Zaras Travel	104,900	24/04/2020	0	104,900		
Lancom Electrical and Electronics	445,224	18/06/2020	0	445,224		
Rozet Enterprises	724,800	31/05/2020	0	724,800		
Rex Kioks	226,200	08/05/2020	0	226,200		
Nancom Enterprises	598,500	15/05/2020	0	598,500		
Opendata Limited	191,634	08/06/2020	0	191,634		
Longrock Tours and Travels	464,870		0	464,870		
Calimax Ventures	92,500	25/06/2020	0	92,500		
Nijam General	84,045	29/06/2020	0	84,045		
Linkages Limited	255,000	09/05/2020	0	255,000		
Dairy Training Institute	190,000	14/09/2018	0	190,000		
Fapcha Limited	780,000	19/06/2020	0	780,000		
Ah tub Enterprises	330,000	19/03/2021		330,000		
Nd lyne Limited	387,500	29/03/2021		387,500		
Lannex Solutions	340,000	29/03/2021		340,000		
Jaysons Autocare	302,500	19/03/2021		302,500		
Kenya Safari Lodge	286,000	20/03/2021		286,000		
MHI	163,180			163,180		
RH Devani Limited	937,930	21/01/2021		937,930		
Navcom Limited	940,000	18/06/2021		940,000		
Total	8,666,783			8,666,783		

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2019/2020	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2020/21
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment					
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
Total					

ANNEX 3 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						

THE STATE DEPARTMENT FOR SHIPPING AND MARITIME
Annual Report and Financial Statements
For the year ended 30, June 2021.

ANNEX 4 – LIST OF SCS AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR SHIPPING AND MARITIME

REF	SCS, SAGAS OR PUBLIC FUNDS NAME	PRINCIPAL ACTIVITY OF THE ENTITY	ACCOUNTING OFFICER	AMOUNT TRANSFERRED DURING THE YEAR	INER-ENTITY RECOMMENDATION DURING THE YEAR
1	Kenya Maritime Authority	Regulation, Coordination And Oversight of Maritime Affairs	Principal Secretary State Department for Shipping and Maritime	Recurrent: A.I.A Budgeted to be collected and used by SAGASKshs.230,000,000 Development: Multinational Lake Victoria Maritime Communication and Transport Project. Grants from Exchequer Kshs	
2	Kenya Maritime Affairs	Training Institution(College)	Principal Secretary State Department for Shipping and Maritime	Budgeted at Kshs.170,000,000	
3	Kenya National Shipping Line	Coreate jobs under the restructured Kenya National Shipping Line	Principal Secretary State Department for Shipping and Maritime	Budgeted at Kshs 60,000,000	

STATE DEPARTMENT FOR SHIPPING AND MARITIME
Reports and Financial Statements
For the year ended 30, June 2021.

ANNEX 5 - REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes
