

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA MARITIME AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2022**

OFFICE OF THE AUDITOR GENERAL
P.O. Box 95202, MONROVIA
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KENYA MARITIME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
30 JUNE 2022

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

**Kenya Maritime Authority
Annual Reports and Financial Statements
For the year ended June 30, 2022**

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1. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background Information

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

(b) Principal Activities

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

Key objectives

The following are the key objectives of KMA:-

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

(c) Key Management

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

- The Director General
- The Senior Management

1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	DESIGNATION	NAME
1.	Director General	Robert Mutegi Njue 'ndc' (K)
2.	Head of Maritime Safety	Capt. Jeremiah Ojowi
3.	Corporation Secretary & Head of Legal Services	Ms. Jane F. Otieno
4.	Head of Commercial Shipping	Mr. John Omingo

(e) Fiduciary Oversight Arrangements

Finance and General Purpose Committee

The committee's activities include;

- a) Ensuring that KMA observes good financial governance in all its activities.
- b) Ensure that KMA complies with the relevant laws.
- c) Establish policies, procedures and controls to facilitate financial governance, which includes financial planning, budget approvals, expenditure approvals and financial reporting.
- d) Reviewing quarterly financial reports for adoption by the Board.
- e) Reviewing annual financial statements for adoption by the Board.
- f) Improving the quality of reporting on financial management.
- g) Ensuring integrity of the assets of KMA.
- h) Overseeing and recommending investments of KMA to the Board.
- i) Reviewing and making recommendations on issues of management of the Staff Pension Fund on behalf of the Board to ensure that the obligations of KMA are discharged.
- j) Considering and recommending budget proposals to the Board.
- k) Reviewing the Finance and General Purpose Committee terms of reference and work plan where applicable.
- l) Reviewing annual procurement plans and schedule of assets due for disposal for the Committee's consideration and recommendation to the Board.
- m) To approve any policy or proposed course of action that will have a significant impact on the financial or budgetary position of KMA.
- n) To monitor key risks and performance indicators for those areas within the remit of the Committee.
- o) Review periodically and if appropriate, recommend amendments to the Board for approval of the Finance Manual.
- p) Ensure that the Management has allocated sufficient resources to comply with social and ethics policies, codes of best practice and all other regulatory requirements.
- q) Perform any other tasks and assignments as may be directed by the Board.

1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

Technical and Operations Committee

The committee's activities include;

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

1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

Human Resource and Governance 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 Box4087
Lamu.

**Kenya Maritime Authority
Annual Reports and Financial Statements
For the year ended June 30, 2022**

1. KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

- v. Kenya Commercial Bank
P.O Box4021
Lodwar.

- vi. Family Bank of Kenya,
Nkurumah Road Branch,
P.O Box 81630-80100
Mombasa.

(d) Independent Auditors

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

(e) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS

The Directors who served during the period under review are:

Mr. Geoffrey Ngombo Mwango	Chairman (Retired on 7 th February 2022)
Robert Mutegi Njue HSC 'nde' (K)	Director General
Hon. (Amb.)Ukur Yatani.	Cabinet Secretary, National Treasury
Nancy W. Karigithu, CBS	Principal Secretary, State Department for Shipping and Maritime Affairs
Rtd. J.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	Term Ended on 14 th September 2021
John G. Msafari, FICS, CRG (Gambia)	Term Ended on 17 th October 2021
Roselyn Vugutza Amadi	Re-appointed on 16 th October 2021
Salaah S. Balala	Re-appointed on 16 th October 2021
Eng. Charles Kombe Charo	Re-appointed on 16 th October 2021
Rev. Joseph Kariuki Gatimu	Re-Appointed on 16 th October 2021
Victor Swanya Ogeto	Appointed on 16 th October 2021 (Resigned on 8 th February 2022)

2. THE BOARD OF DIRECTORS (Continued)



Mr. Geoffrey Mwangi
Chairman,
Board of Directors



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
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



Mr. Salaah S. Balala
Director



Rev. Joseph Kariuki Gatimu
Director



Eng. Charles Kombe Charo
Director



Mr. John Gerin Msafari
FICS, CRG (Gambia)
Director



Ms. Roselyn V. Amadi
Director



Ms. Malika Omar
Director



Mr. Victor Swanya
Ogeto
Director



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



Mr. Robert Mutegi Njue HSC
'nde' (K)
Director General

2. THE BOARD OF DIRECTORS (Continued)



Mr. Geoffrey Mwango
Chairman (Former)

Mr. Geoffrey Ngombo Mwango was the Chairman of the Board of Directors of Kenya Maritime Authority until 7th February 2022. 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 was an Independent member of the Board of Directors of Kenya Maritime Authority until 14th September 2021. 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 Gedow
Harakhe HSC
*Alternate to the PS State
Department for Shipping
And Maritime*

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.

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

He is in possession of the following qualifications; Master of Arts in Education, Certificate in advanced conflict transformation for peace in Africa, Strategic Leadership Development course, Paramilitary Senior Management, Performance Management and Rapid Result approach in community Development among others.

2. THE BOARD OF DIRECTORS (Continued)



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 also served as senior advisor to senior public sector officials in public policy, public debt, public investments and stakeholder engagement.



Mr. Charles Mutinda
*Alternate Director to the Attorney
General*

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

Mutinda is currently at the Office of the Attorney General & Department of Justice as a Deputy Chief Litigation Counsel.

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



Eng. Charles Kombe Charo
Director

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

He is a holder of a Masters Degree in Environmental planning and management from the University of Nairobi.

He also holds a Masters Degree in Business Administration (EMBA) from Moi University Kenya.

He holds Bsc. Chemical Engineering first class honors degree from the National Institute of Technology University of Burdwan, India. He trained in Business Management at Antai College of Economics and Management in Shanghai Jiao Tong University, China. He trained as a specialist in cement refractories

2. THE BOARD OF DIRECTORS (Continued)

management in Frankfurt Germany. He is also a registered lead expert for National Environmental Management Authority (NEMA)

He has over 20yrs experience on cement manufacturing process and worked at Bamburi cement as a Process Manager and at East African Portland Cement as Head of Production Operations.

Eng. Charo has strong organizational and project management skills and trained in Strategic Management at Moi University, Kenya.



Rev. Joseph Kariuki Gatimu
Director

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

Born in 1956, Rev. Gatimu is the General Overseer of Jesus Victory Temple Church –Kenya. He is an experienced Banker with vast experience in Central banking & Commercial banking operation. Rev. Gatimu is a Full Member of IHRM (Institute of Human Resource Management); KIM (Kenya Institute of Management) and Institute of Internal Auditors Kenya.

Rev. Gatimu has many years' experience in teaching, Leadership/management & Corporate Governance at Under-Graduate & Post-Graduate Level Public Universities & Private Universities in Mombasa.



Mr. John Gerin
Msafari
FICS, CRG (Gambia)
Director

Mr. John Msafari was an independent member of the Board of Directors of Kenya Maritime Authority until 17th October 2021 and served as 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 a 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.

2. THE BOARD OF DIRECTORS (Continued)



Mr. Salaah S. Balala
Director

Mr. Salaah S. Balala is an independent member of the Board of Directors of Kenya Maritime Authority. He is presently the Chairman of the Finance and General Purpose Committee.

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, Mombasa Branch.

He is a member of the EATTA, KNCC and a former Director of 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 presently the Chairperson of Audit & Risk 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.



Mr. Victor Swanya Ogeto
Director

Mr. Victor Ogeto was an independent director appointed on 16th October 2021 and resigned on 8th February 2022. He is an accomplished Administrator & Legal practitioner and a holder of LLB (University of Nairobi), Diploma in Law – Kenya School of Law, an Honorary Humanitarian Doctorate from Zoe University College USA; LLM University of Cumbria (UK), Advocate of the High court of Kenya, a Chartered Arbitrator., ACI Arb (UK), Master of Business Administration (MBA): University of Nairobi and B.Sc. IBA, United States International University

He currently holds the following positions:

1. Partner - Swanya & Company Advocates;
2. Chairman, Chrisco Trustee Board and National Administrator;
3. Chairman and Founder Swanya Foundation (Education Bursaries for Orphans)

2. THE BOARD OF DIRECTORS (Continued)

4. Deputy Chairperson Wiper Democratic Movement (Political Party)
5. Founder and Director of several Companies

His various accomplishments in academia and the business world was an added advantage to the Authority.



**Robert Mutegi Njue HSC
'ndc' (K)**
Director General

Mr. Njue holds a Master of Arts (MA) in International Studies and a Bachelor of Science (BSc) University of Nairobi. He is also a graduate of the National Defence College and has a Marine Law Enforcement training from the Federal Law Enforcement Training Centre, Glyco Georgia USA and Marine protection from Western Indian Ocean Marine Science (WIOMSA). He has also excelled in Advanced Open Water Diver Course from St. Phillips Central Bristol, PADI, Balance Scorecard Course from Strathmore University, Strategic Leadership and Executive Leadership courses from the Kenya Institute of Administration.

Born on 11th May 1965, Mr. Robert M. Njue 'ndc' (K), has a wealth of experience spanning over 22 years in conservation and 7 years in senior management.

Over this period, he has spearheaded government departments at senior management level leading to the development and execution of long term and short-term strategic plans. Amongst his key achievements include: building very effective teams and staff with passion and total commitment to call of duty, managing two conservation areas effectively (Eastern Conservation Area and Mountain Conservation Area), coordinated the biggest ever translocation in the world within one month where a total of 1800 animals were translocated to Meru National Park.

Mr. Robert Mutegi Njue 'ndc' (K) was appointed by the Cabinet Secretary Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works Board as the Director General KMA on 15th October, 2020 *vide* Gazette Notice No. 8477.



**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.

3. MANAGEMENT TEAM



**Mr. Robert Mutegi Njue HSC
'ndc' (K)
Director General**

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



**Capt. Jeremiah Ojowi
Director, Maritime Safety**

Responsible for overseeing and implementing Port State Control, Flag State, 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**

Providing 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.

4. CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors, Management and Staff of Kenya Maritime Authority, I am pleased to present the Annual Report and Financial Statements for the Financial Year ended 30th June 2022. The report reflects the Authority's performance, during the period and is in line with the functions and objectives as stipulated in the Kenya Maritime Authority Act, 2006 and the Strategic plan 2018-2023.

This report seeks to highlight the Authority's achievements and steps undertaken towards the continued actualization of its mandate and commitment to transforming Kenya into a globally competitive nation in line with the Kenya's Vision 2030.

Among the key milestone the Authority accomplished in line with the Merchant Shipping Act are:

1. Ratification of the International Convention on Standards of Training, Certification and Watch-keeping for Fishing Vessel Personnel, 1995 (STCW-F 1995).
2. Development of Guides and Manuals for the competency based Maritime Transport Logistics curriculum, tools for assessment, evaluative & mentoring of training programs;
3. Conduct of training workshops for Trainers;
4. Development of maritime labour regulations for enhancement of employment opportunities and improvement of welfare of Kenyan Seafarers;
5. Ratification of Seafarers' Identity Documents Convention and initiation of its development;
6. Development of a National Search and Rescue Plan and collaboration framework to enhance maritime safety and security;
7. Development regulations for prevention of Pollution from ships (MARPOL).
8. Initiation of development of Maritime Data Bank Project in support of information availability on the Blue Economy;
9. Development of a multi-agency collaboration framework for the implementation of a five-year action plan on blue economy initiatives in the Lake Victoria Region.
10. Construction of the KMA Headquarters;

The Authority faces challenges in proper regulation of the industry due to delays in enactment of relevant regulations. Human resource constraints have hampered delivery of services to stakeholders. With the enactment of the above regulations, recruitment of staff to fill the establishment as per the approved HR instruments and projected completion of the Headquarters, the Authority will fortify its drive to efficient and effective service delivery.

My sincere gratitude goes to members of the Board, KMA staff, strategic partners, stakeholders and the general public for their continued support in the realization of our mandate in the sector.


CHAIRMAN
BOARD OF DIRECTORS
KENYA MARITIME AUTHORITY

5. REPORT OF THE DIRECTOR GENERAL

Introduction

The Kenya Maritime Authority Annual Report and Financial Statements for 2021/2022 financial year has been prepared pursuant to the Public Finance Management Act and in line with International Public Sector Accounting Standards.

Kenya Maritime Authority in its regulatory role is committed to leading the transformation of Kenya into a globally competitive maritime nation. As guided by its own Act, Merchant Shipping Act and other key policy documents such as the "2050 Africa's Integrated Maritime Strategy (2050 AIM Strategy)", integrated transport policy, international treaties and conventions that Kenya has acceded to, the Authority put in place various measures to raise awareness on the significant role the maritime sector plays in the economy and the need for its enhanced development.

Highlighted below are some of Authority's accomplishments during the stipulated period:

I. Operational Performance

a) Construction of KMA Headquarters

The Authority sustained steady progress in construction of its Headquarters in Mombasa Island. The premise will strengthen the Authority's physical capacity and enable it to deliver on its mandate. The overall completion as at 30th June 2022 was 97%.

b) Safety of Life at Sea (SOLAS)

The Authority is under obligation enhance safety of life at sea and raise safety compliance levels for all vessels in Kenyan waters in line with the SOLAS and national legislation. In the financial year 2021/22 the Authority inspected a total of seven hundred and fifty-three (753) vessels in comparison to 439 in FY2020/21. The Authority also instituted a monthly inspection program to ensure only compliant vessels operate.

During the period and pursuant to the IMO Ship crew change protocol, the Authority facilitated crew change for a total of 1565 (FY2020/2021: 729) crew at the Port of Mombasa.

c) Maritime Search and Rescue

Within the financial year the Authority undertook the review of National Search and Rescue Plan, National Aeronautical & Maritime SAR Plan and development of Plan of Cooperation between Search & Rescue Services and Passenger ships. The Authority's Regional Maritime Rescue and Coordination

5. REPORT OF THE DIRECTOR GENERAL (Continued)

Centre (RMRCC) received and disseminated operational messages to relevant stakeholders. Safety and security awareness campaigns were conducted in the coastal and inland waters in December 2021 and during Easter Holidays.

d) Oversight on Seafarer's Training

In order to ensure adequately qualified and certificated Kenyan Seafarers to the local and global maritime industry, in the FY 2021/2022 the Authority supported the training and certification of seafarers through ensuring compliance with the requirements for approval and monitoring of Maritime Education and Training institutions. Towards this the Authority carried out initial and renewal audits for Pioneer International University and Kisumu Maritime Center, Jomo Kenyatta University of Agriculture and Technology (JKUAT) offer BSC in Marine Engineering and Bandari Maritime Academy and Kenya Coast National Polytechnic to offer Diploma in Marine Engineering (DME), Diploma in Nautical Science (DNS), Craft in Marine Engineering (CME), Craft in Nautical Science (CNS), mandatory STCW Basic Safety Training and Coxswain courses.

e) Prevention of Ship-source Marine Pollution

The Authority reviewed the draft MARPOL Regulations developed under the International Convention for the Prevention of Pollution from ship (MARPOL), 73/78 that Kenya has ratified. The regulations aim is to domesticate the convention and develop national law to govern ship source pollution. The objective of the review was to incorporate comments received from technical assistance offered by the International Maritime Organization.

The Authority issued IOPC Fund Clearance letters to various oil importers in compliance with the International Convention on Oil Pollution Compensation Fund. The Authority also provided technical support to the activities conducted by MTCC Africa during the period. As part of the technical committee for the Implementation of Sustainable Ports Project in the Western Indian Ocean Region being spearheaded by the MTCC Africa, the Authority participated in the development of the work plan for the project that is to be implemented within a period 8 months.

5. REPORT OF THE DIRECTOR GENERAL (Continued)

The Authority reviewed Environmental Impacts Assessment Study Reports for the proposed projects on LPG terminals in Mombasa County and submitted comments to NEMA to ensure marine environment protection.

The Authority conducted validation workshop on the National Oil Spill Response Contingency Plan, Oil Spill response training and drills. The objective of the workshop was to sensitize the stakeholders on the reviewed contingency plan and conduct oil spill response training and exercise.

Amendment to the Merchant shipping act, 2009 was drafted to include a substantive part on Marine Pollution section so as to transpose the various conventions related to marine environment that Kenya has ratified into national laws. Further, within the quarter, the Authority finalized data collection for the MTCC-Africa Pilot project on estimation of emission within the Port of Mombasa.

The Authority also participated in the Integrated Coastal Zone Management (ICZM) Committee to review the status of implementation of various coastal and marine activities.

f) Security of Ships and Port Facilities

The Authority carried out a security assessment of the Liwatoni floating bridge and issued SECO port facility with ISPS statement of Compliance. Further, the Authority participated in the development of Kenya's National Plan of Action for addressing Illegal, Unreported and Unregulated (IUU) fishing, attended multi-agency meeting on the security and safety of the Likoni Ferry and Liwatoni floating bridge, participated in the multi-agency IKATERE (Interpol Global Law Enforcement Operation) 30 days at sea operation for combating IUU and other maritime related crimes at the coast and inland waters, hosted and facilitated a sensitization workshop for the International Ship and Port Security Code (ISPS) for port security personnel and conducted annual security audit for Base Titanium Limited Port Facility.

Authority staff participated in a training on port security conducted by UNODC, hosted a workshop for the International Ship and Port Security Code (ISPS) for port security personnel at the Lamu port, conducted Port Facility Security Assessment of Lamu port Berths 2 and 3, and KPA Mombasa port in conjunction with the UK Department of Transport.

The Authority also participated in the formulation of the national maritime security strategy held in Naivasha, participated in the technical working group workshop on formulation of SOPs for coordinated border management in Naivasha and conducted port facility security assessments for Lamu Kipevu Container Terminal (CT2), and Kisumu Port.

5. REPORT OF THE DIRECTOR GENERAL (Continued)

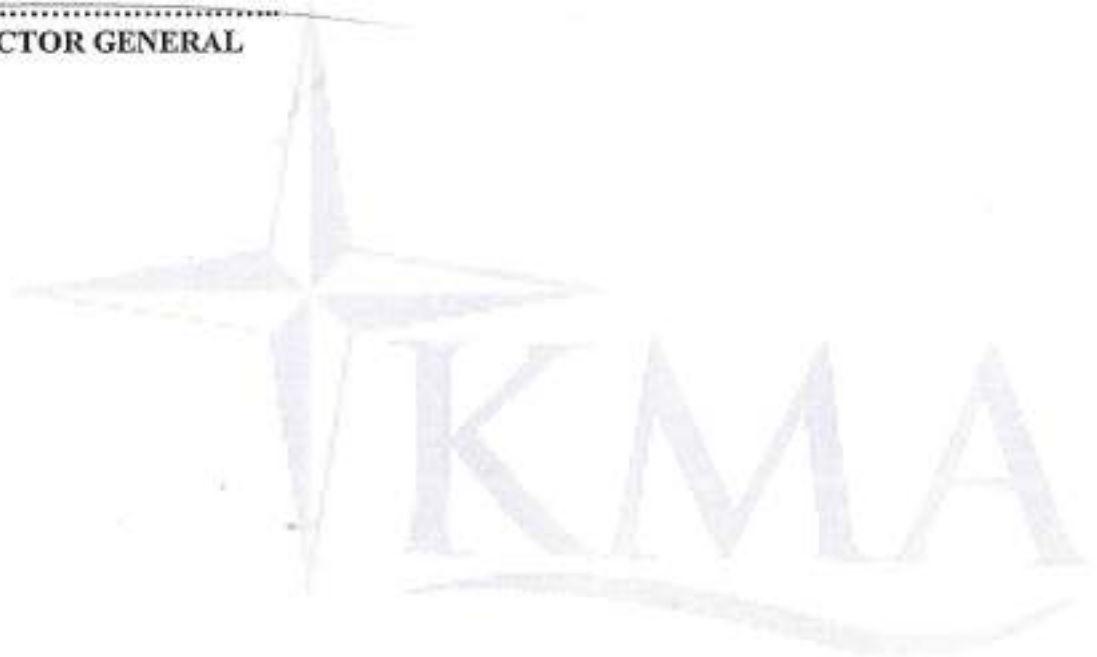
II. Financial Performance

In the year under review the Authority collected a total of Kshs 1.697 Billion in terms of revenue as compared to Kshs. 1.742 Billion from the previous year which translates to 2.6% decrease. Operation Surplus reduced from Kshs. 909 Million in FY2020/2021 to Kshs 771million translating to a 15% decrease.

Mr. John O. Oming'o



Ag. DIRECTOR GENERAL



6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY2021/2022

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 4: Marine Environment
Pillar 2: Seafarers' welfare Pillar 5: Maritime Trade Facilitation and Development
Pillar 3: Maritime Safety and Security 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 2021/2022 period for its 6 strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Maritime Education and Training	Control the Quality of Maritime Education and Training, Examination and Certification.	Periodic quality assurance audits	Conducting of periodic audits of Maritime Education and Training(MET) Institutions	5 Maritime Education and training institutions were audited.
		Ratification of the STCW-F 1995 Convention	Ratification of the International Convention on Standards of Training, Certification and Watch-keeping for Fishing Vessel Personnel, 1995 (STCW-F 1995)	Report for ratification was tabled in parliament and on approval the ratification instruments were communicated to the international Maritime organization(IMO)
		ERP upgraded portal	Automating issuance and control of certificates	The ERP Dynamic Navision 2018 system was procured and automation is ongoing.
	Enhance Maritime Education and Training Capacity	Report of support provided to MET institutions	Supporting training institutions in building training capacity	The Authority supported BMA to procure training equipment.
	Oversight of Maritime Transport Logistics (MTL) Training	MTL Guides and Training Manuals	Develop guides and manuals for the MTL competency based curriculum	Draft manuals and guides development
		MTL assessment, evaluative & mentoring tools	Develop MTL assessment, evaluation and mentoring tool	MTL assessment, evaluative & mentoring tools developed
		Two Training of Trainers Workshops	Conduct two training of trainers Workshop	One Training of Trainers workshop conducted in Mombasa

6. REVIEW OF KENYA MARITIME AUTHORITY PERFORMANCE FOR FY2021/2022
(Continued)

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 2: Seafarers' welfare	Enhance employment and improve welfare of Kenyan seafarers	Developed legal framework	Developing adequate legal framework on seafarers' employment and welfare	Developed maritime labour regulation were presented to parliamentary delegated legislation committee for approval.
		Ratification instruments	Ratification of the Seafarers' Identity Documents Convention	Report for ratification of Seafarers Identity Document was tabled in parliament and approved for ratification.
		Issued Seafarers identity document	Issuing of Seafarers' Identity Documents.	The Business development process was completed.
	Effective Seafarer's Registration System,	Automated system for issuance of CDC	Automation of the issuance of Seafarers Discharge book	The ERP Dynamic Navision 2018 system was procured and automation is ongoing.
	Enhance Employment and Improve Welfare of Kenyan Seafarers	Audit reports and approved RPS	Overseeing effective seafarers' recruitment and placement service(RPS)	6 approved seafarers recruitment and placement services were audited.

Kenya Maritime Authority
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6. REVIEW OF KENYA MARITIME AUTHORITY PERFORMANCE FOR FY2021/2022
(Continued)

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 3: Maritime Safety and Security	Enhance Safety of small vessels/boats	Inspection reports	Undertaking inspection and licensing of boats	753 small vessels were inspected.
	Effective Ship Surveys and Certification Regime	Inspection, Survey and certification reports	Undertaking inspection, survey and certification of Kenyan registered ships	36 Kenyan Registered ships were inspected.
	An attractive Kenya Ship Registry.	Increase of number of registered ships	Development of incentive framework and establishment of Hybrid ship registry	Proposal for establishment of Hybrid system was drafted.
	Technical human resource capacity for Flag State Implementation (FSI)	Number of trained surveyors and developed programme	Facilitate training programme for Flag state surveyors to include theoretical and practical knowledge	15 surveyors were sponsored by the Authority to undergo surveyors training programme.
	Safety of non-Convention Vessels	Developed Surveyor's note book	Developing Surveyors' Note Book for non-Convention ships	Surveyors notebook for non-convention ships was drafted.
			Number of safety compliance campaigns.	7 enhanced safety compliance campaigns were conducted.
			Vessel identification and marking system	Piloting of the marking and identification system for vessels was conducted.
	Maritime Security	Audits and assessment reports.	Conducting port facility security assessments	Conducted assessments for Lamu, Kipevu Container Terminal (CT2), Kisumu Port, AMGECO, COMARCO.
			Conducting port facility security audits	Conducted port security survey for the Port of Mombasa.
	Enhance Coordination of Maritime Search & Rescue Capabilities	Exercise reports	Conduct Search and Rescue exercises	Conducted Search and Rescue drill exercises in Kisumu.
			Training reports	Conduct Search and Rescue training
			Developed Search and Rescue(SAR) plan	Drafted the National SAR Plan and development of Plan of Cooperation between Search & Rescue Services and Passenger ships.
	Comply with Port State Control obligations	Ship inspection reports	Inspection of foreign vessels calling to Kenyan ports	388 foreign ships were inspected
			Designation of additional Port State Control Officers	2 Additional PSCOs were designated
Enhance Flag State Implementation	Recognized Organization (RO) agreements	Oversight of recognized organization	Conducted oversight of one recognized organization.	
		Regulations and procedures	Regulations for implementation of SOLAS convention were drafted	
		Development of regulations for implementation of IMO Instruments		

6. REVIEW OF KENYA MARITIME AUTHORITY PERFORMANCE FOR FY2021/2022

(Continued)

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 4: Marine Environment	Prevent and minimize pollution from ships both accidental and from operational discharges	Developed regulations	Development of regulations for implementation of International Convention for prevention of Pollution from ships(MARPOL)	The MARPOL Regulations under the International Convention for the Prevention of Pollution from ship (MARPOL), 73/78 were drafted.
		Reports of drills and training exercises	Conduct periodic drills and training exercises	The Authority in collaboration with UN Environment organized and conducted Regional Training of Trainers training of IMO OPRC Model Training courses.
	Prevent and minimize pollution from land-based sources	Develop Framework for marine spill preparedness and response.	Development of a National Framework for Marine Spills Preparedness and Response.	The National Framework for marine oil spills were developed and validated.
	Promote marine scientific research and assessments, technical cooperation and transfer of marine technology	Established collaboration framework	Collaboration with Maritime Technology Cooperation Centre (MTCC-AFRICA)	The Authority continued to offer technical support to the activities conducted by MTCC Africa during the period.
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
	Increase opportunities for investment in the maritime sector	Multi-agency action plan	Coordinate the development and implementation of multi-agency action plans on Blue Economy initiatives	Multi-agency action plan for the Lake Victoria Region developed.
			Promotion of investment in the maritime sector	Draft maritime investment and incentive regime policy developed
			Operationalization of maritime cluster development fund	proposal on establishment of a maritime Cluster developed
	Enhance domestic participation for investment shipping	Number of Kenyans operating/owning shipping services	Develop Cabotage Regime	Survey to establish the status on "restriction of trading in Kenyan waters" undertaken
	Enhance oversight on maritime transport operators	Maritime service operators service delivery framework	Monitor MPNCCC performance and its impact on trade	Monitoring and Evaluation of the MPNCCC signatories undertaken and performance scored.
Enhance awareness on maritime industry and opportunities therein	Level of awareness	Awareness on trade facilitation and investment issues	Trade facilitation and awareness workshops held in Nairobi &Turkana County	

7. CORPORATE GOVERNANCE STATEMENT

The Authority in the execution of its mandate is guided by the Constitution of Kenya 2010, relevant local legislations, ratified international Conventions, Government Directives and the Mwongozo Code of Governance as read together with the Board Manual and Code of best practices. The Constitution of Kenya (2010) not only enshrines the national principles of governance but also provides criteria for appointments and institutions and procedures which create a way for citizenry to ethical and public good in public service. Chapter 6 of the Constitution provides for leadership and integrity as core principles to govern the conduct of state officers in public service delivery. 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 14th July 2022. 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 Mwongozo Code and 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 subsidiary legislation, Treaties and Conventions which Kenya has acceded to, and other applicable legislations in Kenya that the Authority is subservient to.

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 are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. The Authority has in place two separate Conflict of Interest Registers- one for the Board and the other for members of staff.

7. CORPORATE GOVERNANCE STATEMENT (Continued)

Corruption Prevention

There is a Corruption Prevention Policy in place that reiterates Chapter 6 of the Constitution of Kenya, 2010, 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.

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 Board for a duration of three years, renewable for a further three-year term.

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 and 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 General Purposes Committee, the Human Resource and Governance Committee and the Audit and Risk Assurance Committee. In the Financial Year 2021/2022 the Board held the following meetings:

7. CORPORATE GOVERNANCE STATEMENT (Continued)

a) Full Board Meetings

During the period under review a total of Seven (7) meetings were held. It is noted that the attendance to the meetings are listed from when members were appointed until exit;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Geoffrey Ngombo Mwango	Chairman	7	6	86%
2.	Mrs. Nancy W. Karigithu, CBS	PS	7	6	86%
3.	Mr. Salaah S. Balala	Director	7	7	100%
4.	Ms. Roselyn V. Amadi	Director	7	7	100%
5.	Mr. John Gerin Msafari	Director	7	6	86%
6.	Rev. Joseph Kariuki Gatimu	Director	7	7	100%
7.	Eng. Charles Kombe Charo	Director	7	7	100%
8.	Mr. Daniel Ndolo	Alternate Director	7	5	71%
9.	Ms. Malika Omar	Director	7	2	29%
10.	Mr. Charles Mwanzia Mutinda	Alternate Director	7	5	71%
11.	Adan Harakhe HCS	Alternate Director	7	5	71%
12.	Mr. Victor Swanya Ogeto	Director	7	2	29%

b) Special Board Meetings

A total of eighteen (18) special board meetings were held during the period under review. It is noted that the attendance to the meetings are listed from when members were appointed until exit;

S/No.	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Geoffrey Ngombo Mwango	Chairman	18	5	28%
2.	Mrs. Nancy W. Karigithu, CBS	PS	18	7	39%
3.	Mr. Salaah S. Balala	Director	18	18	100%
4.	Ms. Roselyn V. Amadi	Director	18	18	100%
5.	Mr. John Gerin Msafari	Director	18	3	17%
6.	Rev. Joseph Kariuki Gatimu	Director	18	18	100%
7.	Eng. Charles Kombe Charo	Director	18	18	100%
8.	Mr. Daniel Ndolo	Alternate Director	18	9	50%
9.	Ms. Malika Omar	Director	18	3	17%
10.	Mr. Charles Mwanzia Mutinda	Alternate Director	18	18	100%
11.	Adan Harakhe HCS	Alternate Director	18	15	83%
12.	Mr. Victor Swanya Ogeto	Director	18	3	17%

7. CORPORATE GOVERNANCE STATEMENT (Continued)

c) Finance and General Purpose Committee Meetings

During the period under review the FGPC held a total of six (6) meetings. It is noted that the attendance to the meetings are listed from when members were appointed until exit;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Mr. Salaah S. Balala	Chair	6	2	33%
2.	Mrs. Nancy W. Karigithu, CBS	Member	6	2	33%
3.	Rev. Joseph Kariuki Gatimu	Member	6	6	100%
4.	Mr. Daniel Ndolo	Member	6	4	67%
5.	Mr. Charles Mwanzia Mutinda	Member	6	6	100%
6.	Mr. Adan Harakhe HCS	Member	6	4	67%
7.	Ms. Malika Ali Omar	Member	6	2	33%
8.	Mr. Salaah S. Balala	Member	6	2	33%

d) Technical and Operations Committee Meetings

During the period under review the TOC held a total of Five (5) meetings. It is noted that the attendance to the meetings are listed from when members were appointed until exit;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Eng. Charles Kombe Charo	Chair	5	5	100%
2.	Mrs. Nancy W. Karigithu, CBS	Member	5	3	60%
3.	Ms. Roselyn V. Amadi	Member	5	4	80%
4.	Mr. John Gerin Msafari	Member	5	3	60%
5.	Mr. Daniel Ndolo	Member	5	4	80%
6.	Mr. Adan Harakhe HCS	Member	5	3	60%
7.	Mr. Victor Swanya Ogeto	Member	5	1	20%

e) Human Resource and Governance Committee Meetings

During the period under review the HRGC held a total of Ten (10) meetings. It is noted that the attendance to the meetings are listed from when members were appointed until exit;

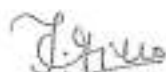
S/No.	NAME OF DIRECTOR	POSITION	MEETING S HELD	ATTENDANCE	%AGE
1.	Rev. Joseph Kariuki Gatimu	Chair	10	10	100%
2.	Mr. Salaah S. Balala	Member	10	10	100%
3.	Mrs. Nancy W. Karigithu, CBS	Member	10	5	50%
4.	Mr. Daniel Ndolo	Member	10	10	100%
5.	Mr. Charles Mwanzia Mutinda	Member	10	8	80%
6.	Ms. Malika Ali Omar	Member	10	4	40%
7.	Eng. Charles Kombe Charo	Member	10	6	60%
8.	Mr. Adan Harakhe HCS	Member	10	8	80%
9.	Ms. Roselyn V. Amadi	Member	10	4	40%

7. CORPORATE GOVERNANCE STATEMENT (Continued)

f) Audit and Risk Assurance Committee Meetings

During the period under review the Audit and Risk Assurance Committee held a total of four (4) meetings. It is noted that the attendance to the meetings are listed from when members were appointed until exit;

S/No	NAME OF DIRECTOR	POSITION	MEETINGS HELD	ATTENDANCE	%AGE
1.	Ms. Roselyn V. Amadi	Chair	4	4	100%
2.	Mr. John Gerin Msafari	Member	4	2	50%
3.	Mr. Daniel Ndolo	Member	4	4	100%
4.	Mr. Salaah S. Balala	Member	4	3	75%
5.	Mr. Adan Harakhe HCS	Member	4	2	50%
6.	Eng. Charles Kombe Charo	Member	4	1	25%



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



8. MANAGEMENT DISCUSSION AND ANALYSIS

The Authority Operational and Financial performance

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

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

I. Operation Performance

1. Legislative drafting

A key function of the Authority is to administer and enforce the provisions of the Merchant Shipping Act, 2009 and any other legislation relation to the Maritime Sector for the time being in force in Kenya. Further, Kenya being a member State of the IMO which is a specialized Agency of the United Nations having submitted the Instrument of Acceptance of the Convention on the International Maritime Organization, 1948 on 22nd August 1973, has ratified a number of IMO Conventions. IMO is the global standard-setting Authority for safety, security and environmental performance of international shipping. Owing to the global nature of shipping, its main role is to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and implemented.

Noting that the IMO instruments are not self-executing or immediately operative in Kenya although the Constitution of Kenya 2010 provides that any international instrument ratified by Kenya forms part of the laws of Kenya, the Authority in consultation with the Kenya Law Reform Commission (KLRC) has developed the following Regulations to domesticate ratified international instruments to meet Kenya's international obligations under the International Maritime Organization (IMO).

For the period under review, the following laws were finalized and tabled before the Parliamentary Committee on Transport and the Committee on delegated Legislation: -

- i. Merchant Shipping (Recognized Organizations) Regulations 2022;
- ii. Merchant Shipping (Load Line) Regulations, 2022;
- iii. Merchant Shipping (Collision Prevention and Distress Signals) Regulations, 2022;
- iv. Merchant Shipping (Tonnage) Regulations, 2022;
- v. Maritime Laws (Amendment) Bill, 2022;
- vi. Merchant Shipping (Maritime Labour) Regulations 2022; and
- vii. Merchant Shipping (Seafarer Identity Document) Regulations, 2022.

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

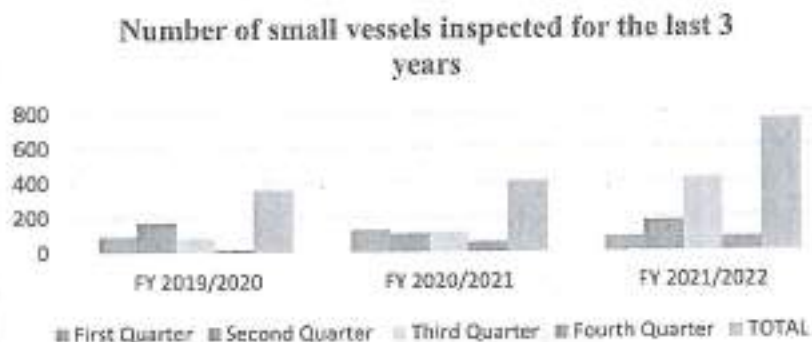
The drafting process for the regulations below is ongoing and in line with the constitutional imperative of public participation and pursuant to the provisions of Section 5 of the Statutory Instruments Act, 2013, which obligates a regulation making Authority to undertake appropriate consultations with the persons who are likely to be affected by the proposed instrument; the Authority is continuously engaging with her stakeholders to deliberate on the provisions of the draft Regulations: -

- i. Merchant Shipping (Construction) Regulations, 2022;
- ii. Merchant Shipping (Fire Safety) Regulations, 2022;
- iii. Merchant Shipping (Life Saving Appliances and Arrangements) Regulations, 2022;
- iv. Merchant Shipping (Radio Communication) Regulations, 2022;
- v. Merchant Shipping (Safety of Navigation) Regulations, 2022;
- vi. Merchant Shipping (Carriage of Cargoes and Oil Fuels) Regulations, 2022;
- vii. Merchant Shipping (Carriage of Dangerous Goods) Regulations, 2022;
- viii. Merchant Shipping (Nuclear Ships) Regulations, 2022;
- ix. Merchant Shipping (Safe Operations of Ships) Regulations, 2022;
- x. Merchant Shipping (Safety of High Speed Craft) Regulations, 2022;
- xi. Merchant Shipping (Enhancement of Maritime Safety and Security) Regulations, 2022;
- xii. Merchant Shipping (Bulk Carrier Safety) Regulations, 2022;
- xiii. Merchant Shipping (Safety of Ships Operating in Polar Waters) Regulations, 2022;
- xiv. Merchant Shipping (Casualty Investigations) Regulations, 2022;
- xv. Merchant Shipping (Prevention of Pollution by Oil from Ships) Regulations, 2022;
- xvi. Merchant Shipping (Control of Pollution by Hazardous Noxious Liquids Substances in Bulk) Regulations, 2022;
- xvii. Merchant Shipping (Prevention of Pollution by Harmful Substances Carried by Sea in Packaged Form) Regulations, 2022;
- xviii. Merchant Shipping (Prevention of Pollution by Sewage from Ships) Regulations, 2022;
- xix. Merchant Shipping (Prevention of Pollution by Garbage from Ships) Regulations, 2022;
- xx. Merchant Shipping (Prevention of Air Pollution from Ships) Regulations, 2022;
- xxi. Merchant Shipping (Waste Reception Facilities) Regulations, 2022;
- xxii. Merchant Shipping (Port State Control) Regulations, 2022; and
- xxiii. Merchant Shipping (Maritime Transport Operators) Regulations 2022.

2. Inspection of small vessels

To ensure compliance with small vessel's safety requirements, the Authority during the financial year 2021/22, inspected a total of seven hundred and fifty-three (753) small vessels operating in the navigable inland waters and Kenyan coastal waters. The chart below tabulates the number of vessels inspected per quarter for the last three financial years;

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



The significant increase of the number of small vessels inspected in the financial year 2021/22 was attributable to the Safety Campaigns and sensitization workshop conducted by the Authority across various counties bordering the Kenyan coastal and navigable inland waterways.

The Authority instituted an inspection program geared towards conducting inspection at least once every month in each landing site to ensure that boats that miss out or fail inspections on scheduled dates are given another chance to comply hence do not operate unregulated for a long period. After vessel inspection exercise, an Enhanced Safety Compliance Campaign was undertaken to ensure non-compliant vessels are barred from operating.

3. Port State Control

To ensure that the condition of foreign ships calling the Kenyan ports comply with the requirements of international regulations and the ships are manned and operated in compliance with the rules, the Authority conducted inspections of 388 foreign ships in accordance with the Indian Ocean Memorandum of Understanding on Port State Control (IOMOU). Out of the 388 inspections a total of 256 deficiencies were noted and raised.

4. Flag State Survey and Oversight of Recognized Organizations

To ensure Kenyan registered ships comply with the provisions of the Merchant Shipping Act and subsidiary regulations in regard to safety, prevention of pollution of the marine environment, the Authority inspected 37 Kenyan registered vessels. In the period the Authority conducted 44 inspections of which 37 were initial inspection and 8 follow up inspections. During the inspections a total of 148 deficiencies were recorded.

In verification of conformance with the requirement of the Code for Recognized Organization (RO) guiding the authorization of Classification societies to carry out survey and issue certificates on behalf of the maritime administration, the Authority conducted audit of International Register of Shipping to verify performance of delegated statutory services and certification and granted ship specific authorization to Lloyd's Register for performance of statutory survey and Certification of wagon ferry construction. Further, concurrence to execute RO agreement with Bureau Veritas was submitted to the Ministry of Transport, Infrastructure, Housing and urban development for processing.

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

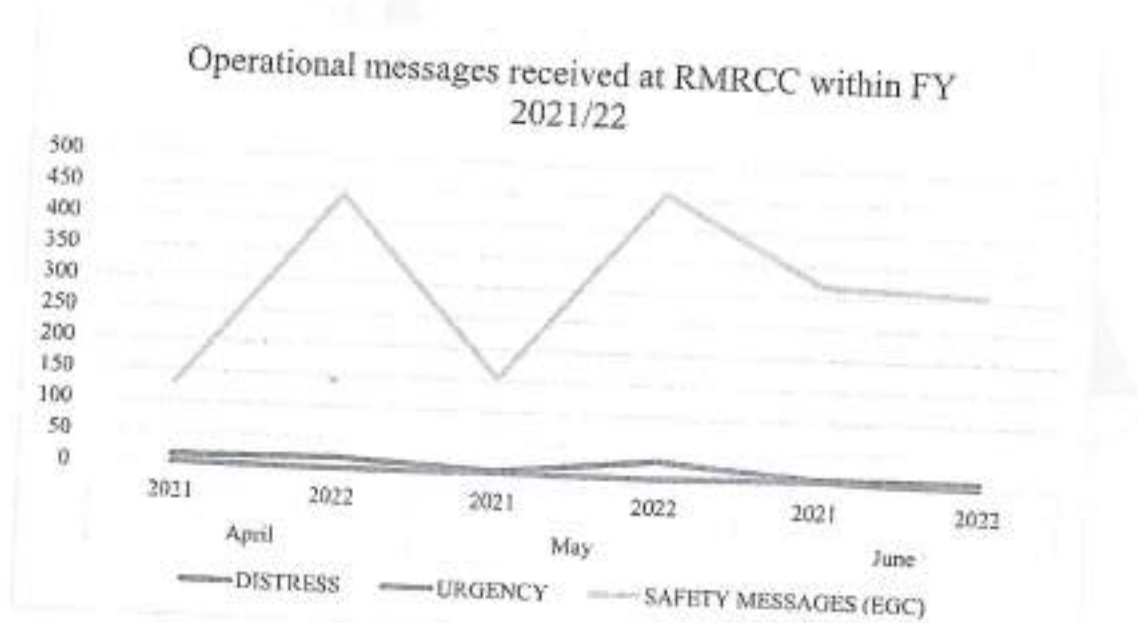
5. Facilitation of Crew Change

During the year, the Authority in conjunction with shipping agents and other Government agencies dealing with mandates related to clearance of seafarers to join or sign off ships at the Port of Mombasa, facilitated a total of 1565 crew to join or sign off ships in accordance with the guideline for crew change. The Authority continues to review the protocols in consultation with the shipping agents and the relevant Government agencies to ensure the crew change is smoothly undertaken in a safe manner as per guidelines issued by the Ministry of Health.

6. Maritime Search and Rescue

Within the financial year the Authority undertook the review of National Search and Rescue Plan, National Aeronautical & Maritime SAR Plan and development of Plan of Cooperation between Search & Rescue Services and Passenger ships.

Within the same period the Authority's Regional Maritime Rescue and Coordination Centre received the following operational messages via both terrestrial and Inmarsat C:



Strong winds and Stormy weather experienced over the Western Indian Ocean region and Nav Area 8, which covers our SAR Region, saw an increase of safety messages sent as adverse weather warnings and Navigational broadcasts. However, distress incidents were minimal.

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

7. Seafarer Registration

During the year, 2021/2022 the Authority issued 1153 Seafarers Continuous Discharge and record book(CDC) and renewed 115 CDC. A total of 2123 Seafarers Medical certificate issued by Authorized medical practitioners were endorsed by the Authority. Further, the Authority undertook verification of 118 certificates issued by other maritime Administration in accordance with the provisions of the International Convention for training and certification of seafarers were verified and authenticated.

As per the seafarer embarkation reports received from the approved recruitment and placement agents a total of 813 seafarers were recruited in the financial year.

In monitoring to ensure compliance for the provisions of the Maritime Labour Convention and national regulations for certification and employment of seafarers, the Authority conducted 5 inspections of Recruitment and placement services agents and carried out sensitization of 13 medical practitioners on the conduction of medical examination for seafarers in accordance with the Merchant Shipping (Seafarers' Medical Examination and Certification) 2016.

8. Maritime Education and Training

To ensure compliance with the requirements for approval and monitoring of Maritime Education and Training institutions, the Authority carried out initial and renewal audits for Pioneer International University and Kisumu Maritime Center respectively to establish the availability and suitability of the systems, processes, facilities and resources to conduct the STCW basic safety training courses; Elementary First aid, Personal Survival Techniques, Fire Prevention and Fire Fighting, Personal Safety and Social Responsibility, Security Awareness Training, Security Training for Seafarers with Designated security duties.

During the Second quarter period, the Authority conducted audit of Jomo Kenyatta University of Agriculture and Technology (JKUAT) to verify the institutions compliance with the requirements for approval as outlined in the Merchant Shipping (Training and Certification) Regulations 2016 to offer BSC in Marine Engineering from 22nd to 26th November, 2021.

During the Third quarter period, the department conducted audit of Bandari Maritime Academy and Kenya Coast National Polytechnic to verify the institutions compliance with the requirements for approval as outlined in the Merchant Shipping (Training and Certification) Regulations 2016 to offer Diploma in Marine Engineering (DME), Diploma in Nautical Science (DNS), Craft in Marine Engineering (CME), Craft in Nautical Science (CNS), mandatory STCW Basic Safety Training and Coxswain courses.

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

9. Oral Examination

During the financial year, the Authority conducted 5 oral exams leading to issuance of 4 Marine engineer officer Certificate of competency (Engine Department) and One Officer of the Watch certificate of Competency (Deck Department) in accordance with the requirements of the Merchant Shipping (Training and Certification) Regulation 2016.

In the same period, the Authority conducted oral and Practical examination of 14 students undergoing coxswain training at Railway Training Institute Kisumu and 71 students from the Kisumu Maritime Center. Further, the Authority issued 283 Coxswain certificates to coxswain in Lamu County and 315 STCW basic safety certificates to seafarers who underwent the training at approved Maritime Education and Training institutions.

10. Marine Environment

During the financial year the Authority organized and conducted marine litter awareness campaign that was held along the Kenya Coast line covering Malindi, Watamu, Kilifi, Shimoni, Diani, Lamu and Mombasa. The campaign involved conducting beach cleanup events and sensitization on impacts and sustainable use of marine plastic litter. Approximately 6 tons of plastic waste was collected during the campaign.

The Authority reviewed the draft MARPOL Regulations developed under the International Convention for the Prevention of Pollution from ship (MARPOL), 73/78 that Kenya has ratified. The regulations aim is to domesticate the convention and develop national law to govern ship source pollution.

The objective of the review was to incorporate comments received from technical assistance offered by the International Maritime Organization.

In collaboration with UN Environment, the Authority organized and conducted Regional part 2 Training of Trainers training of IMO OPRC Model Training courses. The objective of the course was to train Trainers of IMO OPRC Model Courses in the Western Indian Ocean (WIO) Region. A total of 18 participants from different countries in the WIO were trained.

As part of the implementation of the International Convention on Oil Pollution Compensation Fund, the Authority issued IOPC Fund Clearance letters to various oil importers in compliance with the convention. Further, the Authority provided technical support to the activities conducted by MTCC Africa during the period.

The Authority reviewed Environmental Impacts Assessment Study Reports for the proposed projects on LPG terminals in Mombasa County and submitted comments to NEMA to ensure marine environment protection.

8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

In the 2nd quarter the Authority conducted validation workshop on the National Oil Spill Response Contingency Plan, Oil Spill response training and drills. The objective of the workshop was to sensitize the stakeholders on the reviewed contingency plan and conduct oil spill response training and exercise.

As part of the technical committee for the Implementation of Sustainable Ports Project in the Western Indian Ocean Region being spearheaded by the MTCC Africa, the Authority participated in the development of the work plan for the project that is to be implemented within a period 8 months.

In the Second quarter, the Authority drafted amendment to the Merchant shipping act, 2009 to include a substantive part on Marine Pollution section so as to transpose the various conventions related to marine environment that Kenya has ratified into national laws. Further, within the quarter, the Authority finalized data collection for the MTCC-Africa Pilot project on estimation of emission within the Port of Mombasa.

In the third quarter, the Authority participated in the Integrated Coastal Zone Management (ICZM) Committee to review the status of implementation of various coastal and marine activities.

11. Security of Ships and Port Facilities

During the 1st quarter of the financial year. The Authority through the Recognized Security Organization (RSO) carried out a security assessment of the Liwatoni floating bridge and issued SECO port facility with ISPS statement of Compliance

Further, the Authority participated in the development of Kenya's National Plan of Action for addressing Illegal, Unreported and Unregulated (IUU) fishing (NPOA-IUU) in Kilifi, Lamu Maritime Joint Operations Centre (MJOC) in Manda Bay activities and attended multi-agency meeting on the security and safety of the Likoni Ferry and Liwatoni floating bridge.

In the 2nd quarter 2021-2022 of the financial year the Authority participated in the multi-agency IKATERE (Interpol Global Law Enforcement Operation) 30 days at sea operation for combating IUU and other maritime related crimes at the coast and inland waters, hosted and facilitated a sensitization workshop for the International Ship and Port Security Code (ISPS) for port security personnel and conducted annual security audit for Base Titanium Limited Port Facility on 30th November.

During the 3rd quarter 2021-2022 financial year the Authority in the training on port security conducted by UNODC, conducted Port Facility Security Assessment of Lamu port Berths 2 and 3, conducted port security survey of KPA Mombasa port in conjunction with the UK Department of Transport and hosted and facilitated a sensitization workshop for the International Ship and Port Security Code (ISPS) for port security personnel at the Lamu port.

During the 4th quarter 2021-2022 financial year the Authority participated in the inception meeting on formulation of the national maritime security strategy held in Naivasha, participated in the technical working group workshop on formulation of SOPs for coordinated border management in Naivasha and conducted port facility security assessments for Lamu Kipevu Container Terminal (CT2), and Kisumu Port port.

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

12. Licensing of Maritime Transport Service Providers

During the financial period, the Authority licensed 29 shipping Lines, 62 Shipping agents and 72 cargo consolidators.

13. Maritime service performance delivery framework

The Authority in collaboration with the industry players developed maritime service operator's service delivery framework under the Mombasa Port and Northern Corridor Community Charter named the "The Charter". The Charter monitors the performance of service providers through clearly defined Key performance indicators (KPIs). Under the financial year, the performance of key indicators was as discussed below:

a) Port calls

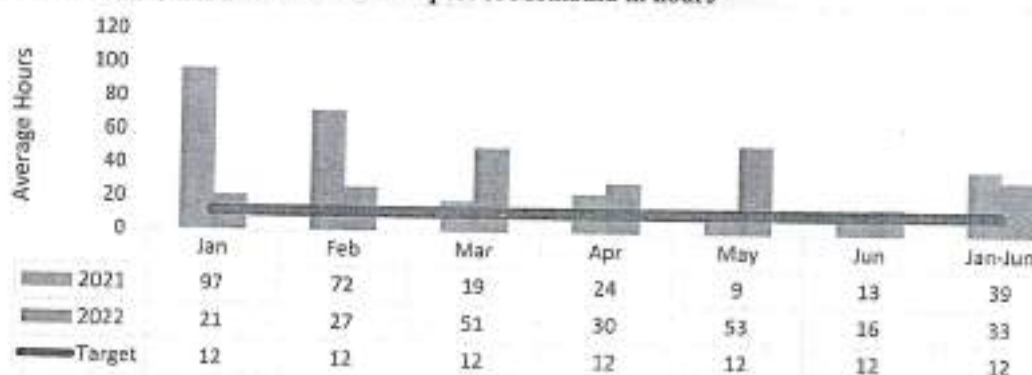
The port of Mombasa recorded most port calls of ships in 2022 with a total of 262 ships for the half year ending June 2022 compared to 259 in 2021. On average, cargo-carrying ships departed from Mombasa port within 4.4 days after their arrival in 2022 during the period under review.

b) Vessel waiting time before berth at the port of Mombasa

This time is measured from the time the vessel arrives at the port area, demarcated by the fairway buoy to the time of its first berth.

Ship waiting time reflects the qualification of the service of the container port. High ship waiting Overall ship waiting time shows an improvement from 39 hours in 2021 to 33 hours in 2022 over the half year period under review as illustrated in the figure below. The positive performance for this target is attributed to the introduction of an online exchange of documents by stakeholders as well as acquisition of modern tugboats and pilot boats that have boosted berthing operations at the port of Mombasa. Furtherance to this, preplanning at the berth is crucial since any changes to which might result in extra expense for the entire systems.

Average Vessel Waiting Time before Berth at the port of Mombasa in hours



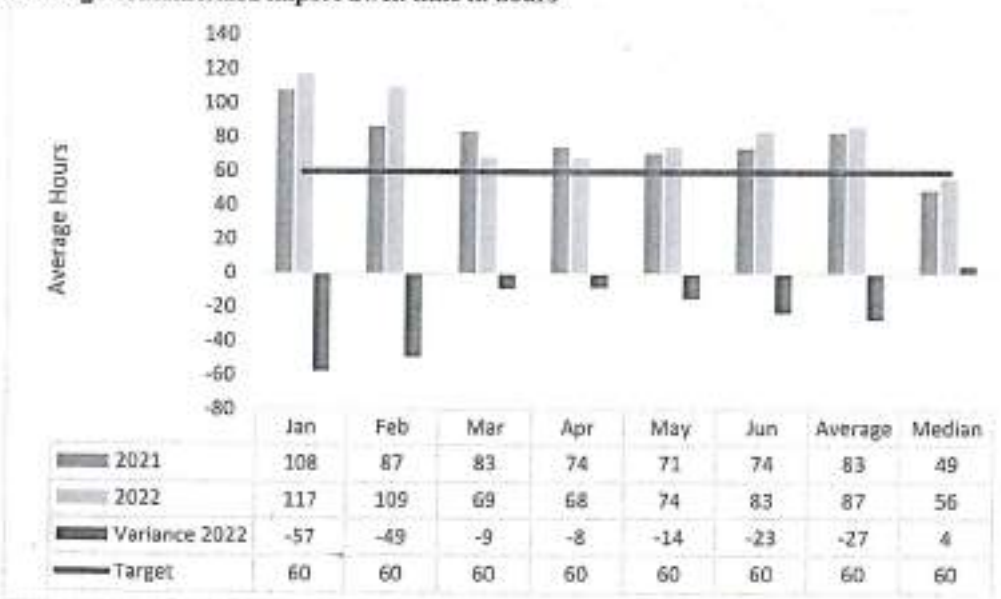
Source: MPNCCC monthly data submissions

8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

c) Containerized Cargo Dwell Time at the Port of Mombasa

Dwell time is the measure of the time elapsed from the time the cargo arrives in the port to the time the goods leave the port premises after all permits and clearances have been obtained. The dwell time discussed is for import containers. As stipulated in the Mombasa Port and Northern Corridor Community Charter, the set target for cargo dwell time for import containers at the port of Mombasa is set at 60 hours by December 2022. From the analysis, it took cargo on average 87 hours to be evacuated from the port of Mombasa in the period January to June 2022. This performance is still below the port charter target of 60 hours dwell time and 48 hours international benchmarking standards. This was attributed to the longer time to complete cargo clearance formalities and a temporary increase in storage time from 9 days to 14 days for transit import. Statistics also show that dwell time for containers cleared by rail was faster when compared to containers evacuated by road.

Average containerized import dwell time in hours



Source: MPNCCC monthly data submissions

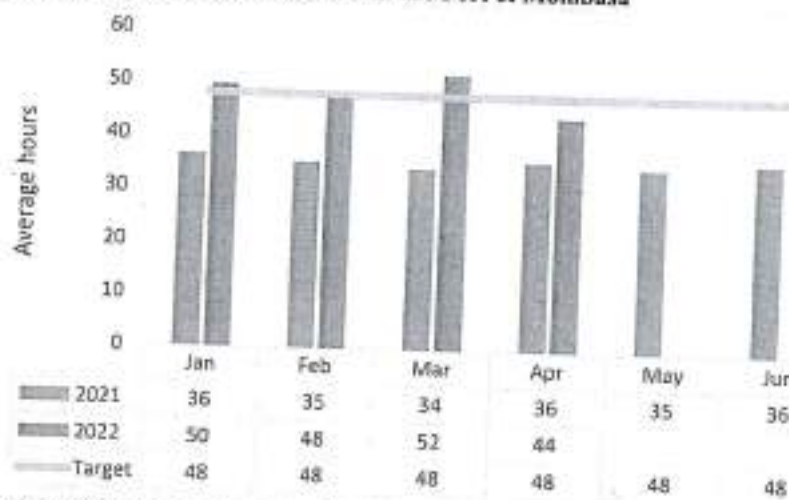
d) One Stop Centre Clearance Time at the port of Mombasa

One Stop Centre Clearance Time measures the average time between passing of customs entry registration and issuance of release order.

The Mombasa Port and Northern Corridor Community Charter envisages 48 hours as time taken at one stop center by December 2022. As presented in the figure below, the average time spent at One Stop Centre during the half year of 2021 and 2022 was within the set target of 48 hours which is a pointer to improved efficiency at the port of Mombasa. The performance may be partly attributed to automation of documents by clearance agents and coordinated joint verification of cargo targets.

8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

Customs One Stop Clearance Time at the Port of Mombasa



Source: MPNCCC monthly data submissions

14. The Launch of the Gender and Equal opportunities sub-committee Mombasa Port and Northern Corridor Community Charter

The Gender and Equal Opportunities sub-committee is one of the proposed working groups under the Mombasa Port and Northern Corridor Community Charter (MPNCCC). This is an action that is in line with UN 2030 Agenda for Sustainable Development and Goal 5 of the Sustainable Development Goals which is committed to achieve gender equality and empower all women and girls. The proposal for the official establishment of the sub-committee was presented to the MPNCCC Steering Committee by WOMESA Kenya Chapter Chairperson Ms. Fiona Mbadi. The proposal was approved and the sub-committee officially launched at a gala dinner during the inaugural international Day for women in Maritime in Kisumu between 25th and 27th May, 2022. 18th May of every year was set aside by the International Maritime Organization (IMO) at its 32nd Council. The day celebrates women in the industry and is intended to promote the recruitment, retention and sustained employment of women in the maritime sector and raise the profile of women in maritime.



The MPNCCC Head Secretariat Team, Lead by the Ag. DG KMA Mr. John Omingo and the WOMESA Chairperson Ms. Phiona Mbadi

8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

15. Trade facilitation and awareness workshops

Annually the Authority organizes a series of workshops to sensitize and create awareness on trends in the maritime industry and other pertinent matters to stakeholders across the country as part of its mandate. The Authority partners with Kenya Ports Authority (KPA), Kenya Trade Network Agency (Kentrade), Kenya Bureau of Standards (KEBS), Kenya Railways Corporation (KRC), Kenya Revenue Authority (KRA), Intergovernmental Standing Committee on Shipping (ISCOS), Northern Corridor Transit Transport Coordination Authority (NCTTCA) among others to sensitize stakeholders on current industry matters/practises pertaining to cargo handling, import/export procedures, information systems, and others topical issues geared towards facilitating trade along the Northern corridor.

The trade facilitation workshops targets importers, exporters, manufacturers, small and medium term traders and logistics service providers with the objective of enhancing awareness on topical industry issues and development towards improving efficiency and quality of logistics services in the country. This financial year the Authority conducted trade facilitations workshops in Nairobi and Turkana County.



Turkana County trade facilitation workshop at Stegra Hotel on 28th & 29th June, 2022

II. Financial Performance

Introduction

Management presents an analysis of the Authority's financial performance for the period ended 30 June 2022.

End Year Performance Summary Overview

The table below summarizes the Authority's performance as at 30th June on revenue, expenditure and operating surplus over the last 5-year period.

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Description	FY2021/2022	FY2020/2021	FY2019/2020	FY2018/2019	FY2017/2018
Total Revenue	1,697,134,124	1,742,256,439	1,581,450,470	1,521,905,508	1,593,913,132
Total Expenditure	926,443,010	833,056,713	816,024,998	788,537,689	908,001,335
Operating Surplus	773,954,297	909,716,784	766,781,979	733,367,819	685,911,797

There was a 2.6% decline in total revenues on comparison of FY2021/2022 revenues and FY2020/2021 driven majorly by reduction of Merchant Shipping fees collection by Kshs 83million. On the other hand, recurrent expenditure increased by 11% while operating surplus decreased by 15% in comparison to FY2020/2021. The decrease in surplus is majorly attributed to the decrease in revenue from levies and increase in Use of Goods/Services expenditure.



Revenue Collection Monthly Performance

Revenue collection averaged at Kshs 424million per quarter over the reporting period. The best performing quarters were the third and fourth quarters.

Description	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Average
Quarterly Revenue	393,260,637	401,493,383	453,154,820	449,225,283	424,283,530
Quarterly Revenue %	23%	24%	27%	26%	25%

8. MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



5 Year Review of Statement of Financial Performance

Revenues from Non-exchange transactions decreased by Kshs 83million being decrease in Ms Fees collection over the period. There was an increase of Kshs 29million from rendering of service emanating majorly from finance income. The cumulative effect of the movements in the two revenue categories led to a decrease of Total revenue by Kshs 45million over the two financial years.

Expenses increased by Kshs 173million on comparison of FY2021/2022 to FY2020/2021 recurrent expenditures. Over the period employee costs increased by Kshs 47million, Use of goods and services expenditure increased by Kshs 126million, Board of Directors expenses increased by Kshs 6.1million and Depreciation decreased by Kshs 5.2million due to increase in number of fully depreciated assets.

	FY2021/2022	FY2020/2021	FY2019/2020	FY2018/2019	FY2017/2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenues					
Revenue from non-exchange transactions	1,608,592,702	1,691,498,595	1,535,112,184	1,456,310,728	1,511,762,442
Revenue from exchange transactions	88,541,422	50,757,844	46,338,286	65,594,780	82,150,690
Total Revenue	1,697,134,124	1,742,256,439	1,581,450,470	1,521,905,508	1,593,913,132
Expenses					
Employee costs	450,847,010	403,929,064	384,364,234	414,957,795	439,764,305
Board of Directors Cost	37,930,104	31,863,186	37,242,625	35,048,326	39,592,348
Use of Goods and Services	420,383,580	374,802,537	367,771,642	298,751,893	387,854,819
Depreciation	17,282,316	22,461,926	26,646,497	39,779,675	40,789,863
Total Expenses	926,443,010	833,056,713	816,024,998	788,537,689	908,001,335
Surplus from Operating Activities	770,691,114	909,199,726	765,425,472	733,367,819	685,911,797
Other Gains					
Gain on sale of assets	-	-	-	1,050,000	-
Gain on foreign exchange transactions	3,263,183	517,058	1,356,507	57,251	-2,264,668
Surplus for the Period	773,954,297	909,716,784	766,781,979	733,425,070	683,647,129

8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

5 Year Review of Statement of Financial Position

Total assets grew by 3% from Kshs 4.02Billion in FY2020/2021 to Kshs 4.12Billion in FY2021/2022 as a result of the progress in the construction of the Headquarters. The Kshs 107 million increase is attributed to Kshs 65million decrease in current assets and Kshs 172million increase in non-current assets. The decrease in current assets emanated reduced cash balances while the increment in non-current assets is attributed to additions in regards to the construction of the headquarters.

The decrease in current liabilities from Kshs 778million in FY2020/2021 to Kshs 644million in FY2021/2022 is attributed to decrease of Trade Payables by Kshs 156million, increase of Gratuity payable by Kshs 4.9million and Kshs 17million increase in Surplus Remission Payable. Non-Current liabilities decreased by Kshs 5,101,821 from Kshs 10,203,642 to Kshs 5,101,821 due to the transfer of deferred income to revenue.

	FY2021/2022	FY2020/2021	FY2019/2020	FY2018/2019	FY2017/2018
Assets	Kshs	Kshs	Kshs	Kshs	Kshs
Total Current Assets	1,656,229,303	1,720,946,629	1,107,975,262	1,125,257,235	1,711,154,859
Total Non-Current Assets	2,468,756,696	2,297,181,222	1,892,425,887	1,791,989,700	1,287,664,624
Total Assets	4,124,985,999	4,018,127,851	3,000,401,149	2,917,246,935	2,998,819,483
Liabilities					
Total Current Liability	644,184,611	777,850,826	228,534,303	347,676,355	986,040,778
Total Non-Current Liability	5,101,821	10,203,642	15,305,463	20,407,284	25,509,105
Total Liabilities	649,286,432	788,054,468	243,839,766	368,083,639	1,011,549,883
Net Assets					
Total Net Assets	3,467,695,695	3,230,073,383	2,756,561,383	2,549,163,296	1,987,028,166
Total Net Assets & Liabilities	4,124,985,999	4,018,127,851	3,000,401,149	2,917,246,935	2,998,578,049

Key Projects

During the financial year the Authority continued implementing the two major projects. The KMA HQ and Multinational Lake Victoria Maritime Communication and Transport project which are at 99% and 3% completion as at the close of the year.

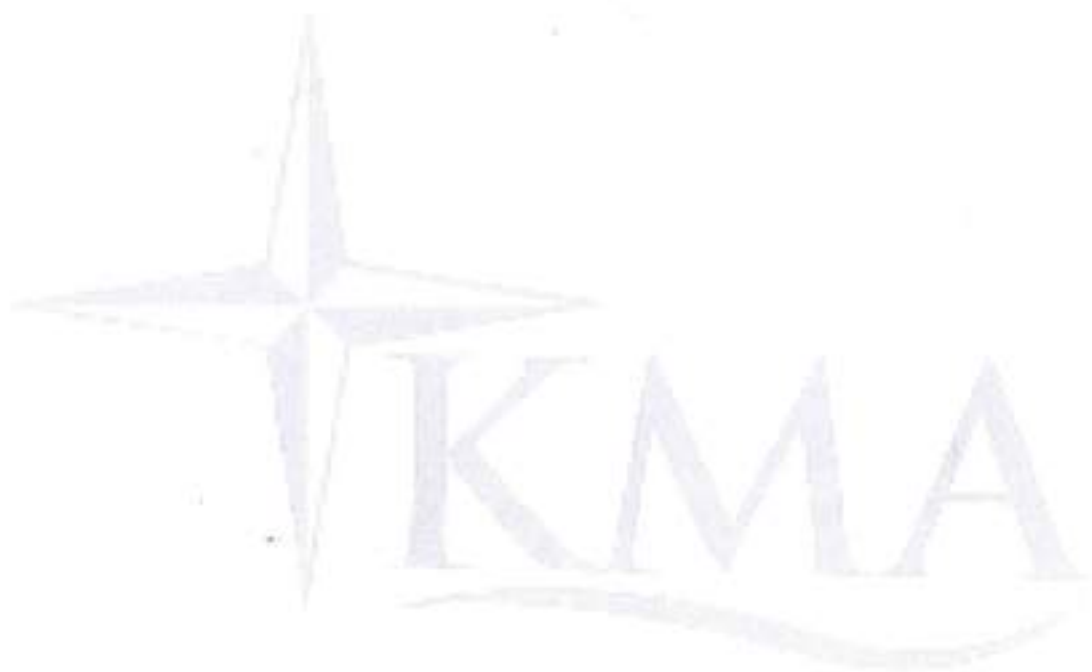
8. MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

Major risks facing the Authority.

The Authority has no major risk facing it.

Material arrears in statutory /financial obligation

The only arrears that the Authority is due to clear is the 90% surplus of approximately Kshs 446 Million. This will be cleared in the second quarter of FY2021/2022 after submitting financial report to the OAG in line with the PFM regulation requirements.



9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Authority has been at the fore front in ensuring that the Maritime Industry is vibrant and contributes to the National GDP by capacity building of our Seafarers through training to meet the international standards, improvement of Port efficiency through Port Charter where all the key parties make commitment. In addition, the Authority has ensured that the Kenya rectify all the key International conventions to attract international player to do business with us and remain competitive globally.

a) Responsible marketing and advertisement

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.

ii) 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.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

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:

- 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 obligation
- 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

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

- vii. Construction of Windows large enough to allow more light during the day and reduce power consumption
- viii. Purchase of waste collection baskets.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

Corporate Communication

The Authority takes part in both regional and international meetings and ensures that the country meets her obligation as a maritime nation. The Authority also undertakes stakeholder engagements and public participation in development of various policies and regulatory frameworks.

To increase visibility and publicise its mandate the Authority was involved in the following corporate communication initiatives; publicity, stakeholder engagement, public participation, Corporate Social Responsibility and exhibitions.

Publicity Activities

During this financial year, the Authority produced a series of TV documentaries to show case and sensitize the public on the mandate of the Authority. The documentaries produced included; CSR documentary, Inter-national Maritime Organisation (IMO) Council documentary for Kenya's re-election in category C:2, World Maritime Day documentary, Day of the Seafarer documentary and KMA short educational videos.

The Authority also sensitized the public through safety awareness videos on Television and radio stations during the festive seasons' (Easter and December holidays)

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

Stakeholder Engagement

The Authority continued to engage stakeholders in various initiatives and forums aimed at developing the Maritime sector. During the year, the Authority held stakeholder forums namely; Stakeholders Forum on Maritime Trade Facilitation & Investment in Kisumu, Lamu and Turkana; The 2022 HELB TVET consultative forum; Seafarers Rights awareness workshop; Stakeholders Workshop for CEO's on Blue Economy Initiatives in Kisumu County; Issuance of Coxswain Certificates in Lamu County; Oil spill preparedness & response workshop; Search and Rescue (SAR) Exercise on Lake Baringo, Lake Turkana, Kilifi and Kwale Counties; International Ships and Ports Security (ISPS) Code stakeholders workshop in Mombasa & Lamu; December Maritime safety patrols in Mombasa, Kilifi, Tana River, Kwale, Lamu, Migori, Siaya, Kisumu, Busia and Turkana.

Public Participation Forums

In line with the requirements of the Constitution of Kenya 2010 on public participation in policymaking process, the Authority undertook public and consultations to ensure that its regulatory interventions reflect the diverse interests of stakeholders in the sector and are in the interest of the public. The public consultations included:

- a) Public Participation on Draft Maritime Regulations in Kisumu, Lamu, Turkana and Mombasa
- b) Public participation on Draft Maritime Transport Operators Regulations, 2020 in Lamu, Mombasa, Kilifi, Kisumu, Nairobi and Turkana.
- c) Public participation on Maritime Draft Law

Exhibitions

The Authority continued to sensitize the public by participating the following exhibition forums; 8th Annual Kenya Diaspora Convention on Investments in the Kenyan Maritime Sector; Jumuiya ya Kaunti za Pwani Conference on Blue Economy; Celebrating Public Service Transformation 10 years journey and beyond.

iv) Corporate Social Responsibility / Community Engagements

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.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

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 2021/2022 the Authority's expenditure towards its CSR activities countrywide amounted to Kshs 2,159,912. 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:

I. 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 Vision 2030 on Social pillar and MDG on improving child survival, combating HIV/AIDS, malaria and other diseases, strengthening systems for health service delivery. Notably, KMA also supported the community's response efforts during the aforementioned year under review. This year's Health, Community involvement and charitable initiatives:

i. International Day for Persons with Disabilities

The Authority supported this initiative by donating bottles of water worth Kshs. 21,000 for use by attendees during the observance of the International Day for Persons with Disabilities. In addition, the Authority's staff also sensitized the public and answered queries on the Authority's activities during the celebrations.

ii. Support to Mama Ngina Children's Home in Kisumu:

The Authority supported Mama Ngina Children's home in Kisumu County with assorted food items, assorted Sanitation items, Mattresses & Mackintosh at Kshs 443,445. The Authority also sensitized the public on its mandate during the handover celebrations.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)



Assorted items donation to the Mama Ngina Children's Home in Kisumu County

iii. Seafarers welfare

The Authority supported seafarer's welfare under its CSR program by donating two Laptops for Seafarers use at Mission to Seafarers- (Communication Support to Seafarers during Covid times) at Kshs196,000 and also provision of Wi-Fi for first phase (6 months) for Seafarers Use at Mission to Seafarers at Kshs 33,000.



9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

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.

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 partnered with the Kenya Forest Services and the Community Forest Associations in Kilifi to adopt 5 hectares of KFS Mangrove Forest for mangrove rehabilitation in Mtongani Kidundu. The Authority planted 35,000 mangroves (5,000 seedlings of *Rhizophoramucronata* - local name Mkoko and 30,000 seedlings of *Cerriopstagal*-local name: Mkandaa) together with its employees, Kenya Forest Services, the Mtakimau Community Forest Association and other stakeholders to restore the marine environment. The cost of the initiative was Kshs 2,193,000.

Planting mangroves has enabled the Authority implement the Presidential directive and National Strategy for achieving and maintaining over 10% Tree Cover by 2022 and allocating 10% Corporate Social Responsibility (CSR) to tree growing. In addition, planting mangroves enabled KMA reinforce its commitment towards the Big 4 Agenda and the Blue Economy Initiative by shared responsibility in addressing public concerns with regard to continued deforestation,

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

mangrove degradation and the need for enhanced protection, conservation and sustainable management of forest and marine resources.

Notably, planting mangroves form a significant part of the Kenya Maritime Authority mandate of promoting the preservation of the marine environment and will also go a long way in the achievement of the KMA Strategic Plan 2018-2022. The ecosystem services provided by planting mangroves are many: they function as buffers between land and sea and provide protection against extreme weather. Their deep root systems prevent soil erosion and serve as nursery for marine organisms including species of fish, shrimp and crab, while the canopies provide nesting grounds for birds. Indeed, planting mangroves will significantly also help us protect and conserve our marine environment.



10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Authority's affairs.

i) Principal Activities

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

ii) Results

The results of the Authority for the year ended June 30, 2022 are set out on page 1.

iii) Directors

The members of the Board of Directors who served during the year are shown on page vi to xii in accordance with section 6(1) of the Kenya Maritime Authority Act. During the year two directors retired, one resigned and one was appointed.

iv) Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. During the financial year the Authority remitted **Kshs 511,122,944** to The National Treasury being payment of 90% surplus funds for the Financial Year 2020/2021. This financial year **Kshs 445,612,954** is the realized surplus due to the National Treasury that will be transferred in the second quarter of Financial Year 2022/2023.

v) 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

Name: Mrs. Jane Florence Otieno

CORPORATION SECRETARY



SIGNATURE

23/03/2023

DATE

II. 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, 2022. 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, 2022, 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 **14th September 2022** and signed on its behalf by:



Mr. Hamisi M. Mwanguya

Chairperson of the Board



Mr. John O. Oming'o

Ag. Director General



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA MARITIME AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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 the 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 controls, 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

Qualified Opinion

I have audited the accompanying financial statements of Kenya Maritime Authority set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Maritime Authority as at 30 June, 2022 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 Public Finance Management Act, 2012 and Kenya Maritime Authority Act, 2006.

Basis for Qualified Opinion

1. Unsupported Training Costs

The statement of financial performance for the year ended 30 June, 2022 and Note 12 to the financial statements reflect employee costs of Kshs.450,847,010 which include training expenses of Kshs.78,406,473. However, the following irregularities were noted:

- i. The expenditure of Kshs.1,856,000 incurred on training of fifty (50) KMA staff was not supported with invoice from the training institution, signed schedules of the trainees and copies of certificates awarded.
- ii. Payment voucher number PV2022/02229 and purchase invoice number P_INV21713 for the payment of Kshs.2,166,314 were not provided for audit review.
- iii. Three officers were paid a sum of Kshs.2,182,704 for both local and foreign trainings which were not included in the approved training plan for period under review.
- iv. An amount of Kshs.33,643,551 was paid out as allowances for staff undergoing foreign training without evidence of them being bonded.
- v. An amount of Kshs.6,372,789 was paid to three staff being claims for expenses incurred towards foreign training without any supporting documents.
- vi. Allowances totaling Kshs.2,415,270 paid to two staff while attending foreign training were not supported with copies of academic certificates for the courses undertaken to confirm completion of their courses.
- vii. Out of Kshs.2,350,269 spent as allowances by two officers while on foreign training in Dar es Salam, Kshs.985,596 was paid for days after course completion and no explanation was provided for the payment.
- viii. An amount of Kshs.2,565,277 spent as allowances for two staff while on foreign training was not supported with evidence of admission to the foreign academic institution. In addition, course dates of 1 March to 14 April 2022 in the training request approved by the HR Manager differed with dates the officers travelled to and from the training institution of 21 March to 29 April 2022.

- ix. Another Kshs.2,896,602 paid to two officers while on foreign training was not supported with copies of passports to confirm entry and exit into the respective countries.

In the circumstances, the accuracy and completeness of training expenses of Kshs.78,406,473 could not be confirmed.

2. Irregular Payment of Allowances

2.1 Unapproved Allowances to Staff from Other Government Agencies

The statement of financial performance reflects Kshs.404,012,236 in respect to general office expenses which, as disclosed in Note 16 to the financial statements includes conferences and seminars expenditure of Kshs.32,512,824. This amount in turn includes Kshs.3,187,000 paid as daily subsistence allowances to individuals who are not staff of the Authority. However, there were no requests by the respective accounting officers for facilitation of their staff.

In the circumstances, the regularity of Kshs.3,187,000 incurred as daily subsistence allowances could not be confirmed.

2.2 Unaccounted for Allowances to Non-KMA Staff

The statement of financial performance reflects Kshs.404,012,236 in respect to general office expenditure which, as disclosed in Note 16 to the financial statements includes Kshs.49,058,822 on collaborations and partnerships expenditure. This amount was paid as daily subsistence allowances to people who were not staff of the Authority for various activities. Further, out of the Kshs.49,058,822 paid, Kshs.22,192,069 was paid to various staff of the State Department of Shipping and Maritime which had not been accounted for as at 30 June, 2022.

In addition, during the presentation of Merchant Shipping Regulations to Parliamentary Committee from 2 to 6 June, 2022, an amount of Kshs.3,160,800 was irregularly paid to forty-one (41) Members of Parliamentary Committee of Transport and Delegated Legislation as daily subsistence allowances for four (4) days and Kshs.750,000 incurred for hiring thirty (30) vehicles for Members of Parliament. However, the approved memo of 31 May, 2022 did not indicate the Members of Parliament involved and paid.

In the circumstances, the regularity of Kshs.49,058,822 incurred on collaborations and partnerships could not be confirmed.

3. Unapproved Excess Board Expenditure

The statement of financial performance reflects expenditure on Board of Directors of Kshs.37,930,104 and as disclosed in Note 13 to the financial statements. The expenditure incurred exceeded the approved budget of Kshs.30,000,000 by Kshs.7,930,104 or 26%, contrary to the provisions of the circular No. OP/CAB,9/1A of March 11, 2020 providing that Board expenses for a financial year shall be capped at Kshs.30 million or 5% of the operations & maintenance budget of the State Corporation, whichever is less and any exceeding budgets shall require approval of the Cabinet Secretary for The National Treasury.

In the circumstances, the regularity of Kshs.7,930,104 incurred on Board of Directors 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,685,500,000 and Kshs.1,697,134,124 respectively, resulting in an over-funding of Kshs.11,634,124 or 0.7% of the budget. Similarly, the Authority expended Kshs.924,481,724 against an approved budget of Kshs.930,944,085, resulting in an under-expenditure of Kshs.6,462,361 or 0.7% of the revenue budget while the under expenditure of capital budget amount of Kshs.1,045,615,654 was at 84.7% of the budgeted amount.

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

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

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, there was no evidence provided to support the resolving of various prior year issues indicated as having been resolved under the progress on follow up of auditor's recommendations section of the financial statements.

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. Construction of KMA Headquarters Building

1.1 Unsupported Contract Extension

The statement of financial position reflects a balance of Kshs.2,208,486,250 in respect to property, plant and equipment which, as disclosed in Note 25 to the financial statements includes additions to capital work in progress of Kshs.180,142,114. This later amount in turn includes Kshs.98,600,000 which was paid to a contractor during the year under review for the construction of KMA Headquarters Building.

The Authority entered into a contract with a contractor on 30 January, 2017 for the construction of KMA headquarters building at a contract sum of Kshs.1,825,239,939.24 and a contract period of 90 weeks. The price was later reduced to Kshs.1,728,176,418 due to errors in the tender documents and the contract period was also extended seven times which pushed the expected completion date to 17 September, 2021. However, the project was completed in March 2022, six months past the contract period without a contract extension approval.

1.2 Irregular Price Variation

The payment during the year under review of Kshs.98,600,000 on 30 June, 2022 to the contractor, under certificate No. 30, was for reimbursement of price deviation for works associated with labor subject to price deviations of Kshs.926,801,538. However, the payment was not approved by the accounting officer or the Project Implementation Committee and works worth Kshs.142,702,303 done before the lapse of one year from the contract signing date, were not subject to variation as per Section 139(3) of the Public Procurement and Asset Disposal Act, 2012 providing that no contract price shall be varied upwards within twelve months from the date of signing the contract.

The inflation rate was charged on works associated with labor subject to price deviation. A review of the documents provided for audit indicated that the amount charged as per certificate No. 30 of Kshs.134,246,806 was based on inflation rates applied in totality on the amounts taking into consideration the duration since the tenders opening and not the deviation of the inflation rate from the tender opening date. On recalculation based on the changes in the inflation rate from the tender opening date, the contractor ought to have reduced the labor charge of Kshs.926,801,538 by Kshs.12,621,656.

In the circumstances, the regularity of Kshs.98,600,000 incurred on reimbursement of price deviation for works associated with labor could not be confirmed.

1.3 Closing Down of the Project

The defects liability period ended on 2 November, 2022 and a certificate of making good the defects issued on the same day by the Project Manager. As at the time of audit in February, 2023, the Authority had paid Kshs.1,882,483,503 to the contractor, an amount that included Kshs.86,324,328 in moiety and with only Kshs.43,563,819 still being withheld by the Authority. The final project appraisal and acceptance of the goods, works and services certificate had not been raised by the Project Implementation Committee which was more than four(4) months after the end of project defects liability period against

Regulation 142(2)(a) and (b) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the final acceptance of all goods, works or services shall take place within the period or last period of guarantee for the provisional acceptance if there has been partial acceptances or within sixty (60) days before the end of the last period of guarantee on which all defects, poor workmanship and any other snags pointed out in the minute of acceptance are corrected. The project appraisal was last done in January, 2021.

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

2. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2022 were submitted on 3 October, 2022, after the deadline of 30 September, 2022, contrary to Section 81(4)(a) of the Public Finance Management Act, 2012, which states that not later than three months after the end of each financial year, the accounting officer for the entity shall submit the entity's financial statements to the Auditor-General. No explanation was provided for the delay.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the 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.

Basis for Conclusion

Weaknesses in Payroll Internal Controls

A review of the payroll internal controls revealed that fifteen (15) staffs shared bank account details for salary pay point, contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 which states that, all officers will be paid salary on monthly basis in Kenya currency through their respective bank accounts.

In the circumstances, the internal control system on payroll was weak and subject to risk of loss of money.

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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 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.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls 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 controls 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 Authority's 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 Authority's ability 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 Authority to cease 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 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 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

03 May, 2023

Kenya Maritime Authority
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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

Revenue From Non-Exchange Transactions	Note	2021-2022 Kshs	2020-2021 Kshs RESTATED
Levies	6	1,603,490,881	1,686,396,774
Deferred Income	7	5,101,821	5,101,821 ^a
		<u>1,608,592,702</u>	<u>1,691,498,595</u>
Revenue From Exchange Transactions			
Rendering Service	8	21,037,152	12,864,053
Finance Income	9	38,365,218	24,307,388
Other Income	10	29,139,052	13,586,403 ^b
		<u>88,541,422</u>	<u>50,757,844</u>
Total Revenue		<u>1,697,134,124</u>	<u>1,742,256,439</u>
Expense			
Employee Costs	12	450,847,010	403,929,064
Board Of Directors Cost	13	37,930,104	31,863,186
Water And Electricity	14	4,459,160	4,275,687
Repairs And Maintenance	15	9,950,898	20,938,619
General Office Expenditure	16	404,012,236	278,740,526
MLVMCT Project Costs	17	1,961,286	70,847,705
Depreciation	18	17,282,316	22,461,926 ^c
Total Expenses		<u>926,443,010</u>	<u>833,056,713</u>
Surplus From Operating Activities		<u>770,691,114</u>	<u>909,199,726</u>
Other Gains			
Gain On Foreign Exchange Transactions	11	3,263,183	517,058
Surplus For The Period		<u>773,954,297</u>	<u>909,716,784</u>
Remission To National Treasury	33	528,328,113	435,655,983
Net Surplus For The Year		<u>245,626,184</u>	<u>474,060,801</u>

Note: The accounts marked a, b & c was restated as detailed in the respective Note to the Financial Statement.

The notes set out on pages 9 to 47 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 47 were signed on behalf of the Board of Directors by:

Director General

Mr. John O. Oming'o

Date: 23/03/23

Finance Manager

Mr. Edwin Were
ICPAK Member No.8140

Date: 23/3/2023

Board Chairman

Mr. Hamisi M. Mwanguya

Date: 23/3/2023

Kenya Maritime Authority
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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

Assets	Note	2021-2022 Kshs	2020-2021 Kshs
Current Assets			RESTATED
Cash and cash equivalents	19	1,438,036,617	1,493,516,456
Trade receivable from exchange	20	33,976,927	50,905,926
Trade receivable from non-exchange	21	180,897,530	173,030,360
Inventories	22	3,318,229	3,493,887
Total Current Assets		1,656,229,303	1,720,946,629
Non-Current Assets			
Property, plant & equipment	25	2,208,486,250	2,043,254,424 ^d
Intangible assets	24	15,298,184	10,889,266
Mortgage Guarantees	23	244,972,262	243,037,532
Total Non-Current Assets		2,468,756,696	2,297,181,222
Total Assets		4,124,985,999	4,018,127,851
Liability			
Current Liability			
Trade and other payables from exchange	26	189,294,777	345,045,711
Gratuity	27	9,276,880	4,397,330
Surplus Remission Payable	33	445,612,954	428,407,785 ^e
Total Current Liability		644,184,611	777,850,826
Non-Current liability			
Deferred Government Grant	28	5,101,821	10,203,642
Total Non-Current liability		5,101,821	10,203,642
Total Liabilities		649,286,432	788,054,468
Net Assets			
Capital Reserve		76,771,434	76,771,434
Revenue Reserve		3,164,554,663	2,918,928,479 ^f
Revaluation Reserve		4,373,470	4,373,470
Specific Reserve		230,000,000	230,000,000
Total Net Assets		3,475,699,567	3,230,073,383
Total Net Assets and Liabilities		4,124,985,999	4,018,127,851

Note: The accounts marked d, e and f were restated as detailed in the respective Notes to the Financial Statement.

The Financial Statements set out on pages 1 to 47 were signed on behalf of the Board of Directors by:

Director General

Finance Manager

Board Chairman

Mr. John O. Oming'o

Mr. Edwin Were
ICPAK Member No:8140

Mr. Hamisi M. Mwanguya

Date: 23/03/23

Date: 23/3/2023

Date: 23/3/2023

Kenya Maritime Authority
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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Capital	Revenue reserves	Revaluation reserves	Specific reserves	Total
		Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at July 1, 2020 (RESTATED)		76,771,434	2,444,867,678	4,373,470	230,000,000	2,756,012,582
Surplus for the year		-	909,716,784	-	-	909,716,784
Revaluation Reserve		-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-
Oil Spill Response Mobilization Fund		-	-	-	-	-
Donated assets		-	-	-	-	-
90% Operating Surplus	32	-	(435,655,983)	-	-	(435,655,983)
Adjustment (Prior Year)		-	-	-	-	-
Balance as at June 30, 2021 (RESTATED)		76,771,434	2,918,928,479	4,373,470	230,000,000	3,230,073,383
Surplus for the year		-	773,954,297	-	-	773,954,297
Revaluation Reserve		-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-
Oil Spill Response Mobilization Fund		-	-	-	-	-
Donated assets		-	-	-	-	-
90% Operating Surplus	32	-	(528,328,113)	-	-	(528,328,113)
Adjustment (Prior Year)		-	-	-	-	-
Balance as at June 30, 2022		76,771,434	3,164,554,663	4,373,470	230,000,000	3,475,699,567

Restatement

f) There was a cumulative prior year adjustments totalling Kshs 548,802 with adjustments in depreciation expenses leading to an increase of surplus for the year by Kshs 1,851,772 hence a provision of Kshs 1,666,595 to be paid as 90% surplus.

Description	Kshs
Balance as per Audited Accounts	2,919,662,458
Prior Year Adjustments	(548,802)
90% Surplus Payable Increase	1,666,595
Surplus for the Year Decrease	(1,851,772)
Total	2,918,928,479

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

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.

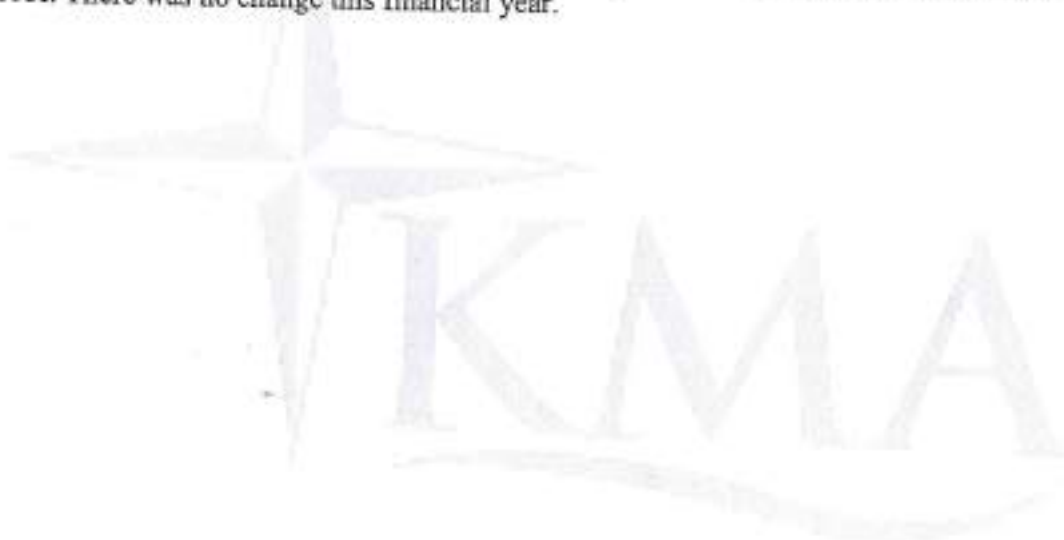
Specific Reserves

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. There was no change this financial year.

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. There was no change this financial year.



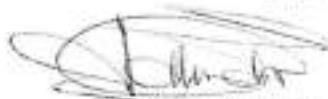
16. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs RESTATED
Cash Flows From Operating Activities			
Receipts			
Levies		1,597,054,405	1,685,415,496
Deferred Income		5,101,821	5,101,821
Rendering service		23,280,029	7,794,472
Finance Income		50,307,210	9,776,782
Other income		27,979,815	22,276,747
Total Receipts		1,703,723,280	1,730,365,318
Payments			
Employee Costs		(442,033,587)	(405,265,025)
Board of Directors Cost		(37,736,904)	(31,919,065)
Water And Electricity		(4,459,160)	(4,275,687)
Repairs And Maintenance		(9,950,898)	(20,938,619)
General Office Expenditure		(566,343,733)	(47,609,224)
MLVMCT Project Costs		(1,961,286)	(70,847,705)
Total Payments		(1,062,485,568)	(580,855,325)
Net Cash Flows From/(Used In) Operating Activities	29	641,237,712	1,149,509,993
Cash Flows From Investing Activities			
Purchase of PPE and Intangible assets		(186,923,060)	(400,654,581)
Investment in Fixed Deposits and Long Term Deposits		(1,934,730)	(27,111,482)
Foreign Exchange Gain		3,263,183	517,058
Net Cash Flows From/(Used In) Investing Activities		(185,594,607)	(427,249,005)
Cash Flows From Financing Activities			
90% Operating Surplus Remission		(511,122,944)	(114,701,539)
Net Cash Flows From Financing Activities		(511,122,944)	(114,701,539)
Net Increase/(Decrease) In Cash & Cash Equivalents		(55,479,839)	607,559,449
Cash And Cash Equivalents At 1 July	19	1,493,516,456	885,957,007
Cash And Cash Equivalents At 30 June	19	1,438,036,617	1,493,516,456

Note: The restatement of FY2020/2021 has been necessitated by the change of presentation method from Indirect to Direct Method in compliance to the revised template of 30 June 2022 requirement.

Director General

Mr. John O. Oming'o



Date: 23/03/23

Finance Manager

Mr. Edwin Were
ICPAK Member No: 8140

Date: 23/3/2023

Board Chairman

Mr. Hamisi M. Mwangi



Date: 23/3/2023

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Revenue	Original budget a	Adjustments b	Final budget c=(a+b)	Actual on comparable basis d	Performance difference e=(c-d)	% Change F=d/c
MS Levy	1,612,000,000	-	1,612,000,000	1,603,490,881	(8,509,119)	99.5%
Rendering Service	13,500,000	-	13,500,000	21,037,152	7,537,152	155.8%
Finance Income	20,000,000	-	20,000,000	38,365,218	18,365,218	191.8%
Other Income	40,000,000	-	40,000,000	34,240,873	(5,759,127)	85.6%
Total Income	1,685,500,000	-	1,685,500,000	1,697,134,124	11,634,124	100.7%
Expense						
Employee Costs	396,000,000	-	396,000,000	372,440,537	23,559,463	94.1%
Board of Directors Cost	30,000,000	-	30,000,000	37,930,104	(7,930,104)	126.4%
Insurance and Medical	40,000,000	-	40,000,000	32,372,118	7,627,882	80.9%
Contracted Services	25,000,000	-	25,000,000	14,838,736	10,161,264	59.4%
Use of Goods and Services	150,000,000	-	150,000,000	139,498,212	10,501,788	93.0%
Administrative Expenses	200,398,000	-	200,398,000	300,168,803	(99,770,803)	149.8%
Repairs and Maintenance	29,546,085	-	29,546,085	9,950,898	19,595,187	33.7%
Depreciation	60,000,000	-	60,000,000	17,282,316	42,717,684	28.8%
Total Expenditure	930,944,085	-	930,944,085	934,481,724	6,462,361	99.3%
Surplus for the period	754,555,915	-	754,555,915	772,652,400	(18,096,485)	102.4%
Capital Expenditure						
Kenya Maritime Headquarter Construction	298,000,000	-	298,000,000	180,142,114	117,857,886	60.5%
MLVMCT Project Costs	82,000,000	-	82,000,000	1,961,286	80,038,714	2.4%
KMA Headquarters	598,000,000	-	598,000,000	-	598,000,000	0.0%
Capital Items	256,500,000	-	256,500,000	6,780,946	249,719,054	2.6%
Total Capital Expenditure	1,234,500,000	-	1,234,500,000	188,884,346	1,045,615,654	15.3%

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022
Reconciliation Statement

Description	Amount Kshs	Amount Kshs
Surplus for the period as per the Statement of Comparison of Budget		772,652,400
MLVMCT Project Costs	(1,961,286)	
Capital Expenditure Items		(1,961,286)
Add: Other Gains		
Gain on Sale of Assets		
Gain on foreign exchange transactions	3,263,183	
Total Other Gains		3,263,183
Surplus for the period as per the Statement of Financial Performance		773,954,297

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

1. Rendering Service' positive variance of 55.4% is attributed increased vessel inspections in the financial year due to frequent inspections and follow up safety compliance campaigns.
2. Finance income had a positive variance of 91.8%, largely attributed to Management's decision to invest substantial amount arising from accumulated surplus. Delayed completion of the KMA Headquarters building affected the cash outflow projections and timings hence available cash was invested in 91-day T-bills.
3. Other Income had a negative variance of 14%, arising from the non-realization of rental income which was anticipated upon completion of KMA Headquarters and leasing of extra space therein.
4. Board of Directors negative variance of 26.4% is attributed to meetings which were critical to deal with merging issues. Approvals for these meetings were duly obtained from the relevant offices.
5. Insurance and Medical positive variance of 19.1% is attributed to the delayed completion of the KMA Headquarters building hence allocation for the insurance of the building was not utilized since the same had been insured by the contractor.
6. Contracted services had a positive variance of 40.6% due to delayed completion of the KMA Headquarters building hence increased provision for contracted cleaning and guard services, which was anticipated to increase two-fold in terms of requirements, was not utilized.
7. Administrative Expenses had a negative variance of 49.8% arose from increased travel and accommodation particularly International Maritime Organization (IMO) meetings whereby online meetings had been discontinued and in-person meetings resumed.
8. Repairs and Maintenance variance of 66.3% is due to delay in completion of the KMA Headquarters building hence planned repairs of the rented building that currently hosts KMA HQ operations was not done as planned. Delay in execution of Lamu office partition due to procurement challenges also contributed to the under-absorption.
9. Depreciation negative variance of 71.2% was brought about by delay in finalization of the ERP project and planned acquisitions of depreciable assets.

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

Explanation of Changes between Original and Final Budget

Revenue	Original budget	Adjustments	Final budget	Reason for adjustment
	2020-2021	2020-2021	2020-2021	
Revenue	Original budget	Adjustments	Final budget	
MS Levy	1,612,000,000	-	1,612,000,000	There was no change since projection was realistic
Rendering Service	13,500,000	-	13,500,000	There was no change since projection was realistic
Finance Income	20,000,000	-	20,000,000	There was no change since projection was realistic
Other Income	40,000,000	-	40,000,000	There was no change since projection was realistic
Total income	1,685,500,000	-	1,685,500,000	
Expense				
Employee Costs	396,000,000	-	396,000,000	There was no change since projection was realistic
Board of Directors Cost	30,000,000	-	30,000,000	There was no change since projection was realistic
Insurance and Medical	40,000,000	-	40,000,000	There was no change since projection was realistic
Contracted Services	25,000,000	-	25,000,000	There was no change since projection was realistic
Use of Goods and Services	150,000,000	-	150,000,000	There was no change since projection was realistic
Administrative Expenses	200,398,000	-	200,398,000	There was no change since projection was realistic
Repairs and Maintenance	29,546,085	-	29,546,085	There was no change since projection was realistic
Depreciation	60,000,000	-	60,000,000	There was no change since projection was realistic
Total Expenditure	930,944,085	-	930,944,085	
Surplus for the period	754,555,915	-	754,555,915	

18. 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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022*

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</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. 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>

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Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. The standard has no impact to the Authority as provision of social benefits isn't within its mandate.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. The standard has no impact to the Authority as yet due to limitation in financial instruments the Authority is allowed to hold.
Other improvements to IPSAS	Applicable 1st January 2023 <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. The standard has no impact to the Authority as yet.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The standard has no impact to the Authority as yet.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The standard has no impact to the Authority as there are neither Non-Current Assets Held for Sale nor indications of Discontinued operations.</p>

iii. **Early adoption of standards**

The Authority did not early – adopt any new or amended standards in year 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

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

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 2021-2022 was approved by the National Assembly on 19th November 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

c) Property, plant and equipment

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

d) Intangible assets

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

i) Nature and purpose of reserves

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

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

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

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

Rate of contribution for the period under audit is; -

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

Gratuity

The Authority provides gratuity to Employees serving on contract terms at a rate of 31% of their Basic salary. Gratuity is payable at the end of the contract net of applicable taxes. Gratuity are charged against income in the year in which they have been earned with corresponding liability created for the year.

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 **Kshs 37,930,104.**

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, 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

The Annual depreciation/amortisation rates are 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%
vi. Buildings	2.5%

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

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Merchant Shipping Levy	1,566,213,749	1,647,614,116
Collection cost (KRA commission)	<u>37,277,132</u>	<u>38,782,658</u>
Total Levies	<u>1,603,490,881</u>	<u>1,686,396,774</u>

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

7. Deferred Income

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Deferred Income Recognized	<u>5,101,821</u>	<u>5,101,821</u>
Total Deferred Income	<u>5,101,821</u>	<u>5,101,821</u>

- a) The restatement of FY2020/2021 was due to reclassification of the Deferred income recognized amount as Revenue from Non-Exchange transactions from Other Income under Revenue from Exchange Transactions.

8. Rendering of service

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Boat survey fees	12,293,952	4,718,998
Shipping agents fees	<u>8,743,200</u>	<u>8,145,055</u>
Total Rendering of Service Income	<u>21,037,152</u>	<u>12,864,053</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Finance Income

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Interest from Bank Deposits	1,934,730	2,111,482
Interest from Govt Securities	<u>36,430,488</u>	<u>22,195,906</u>
Total Finance Income	<u>38,365,218</u>	<u>24,307,388</u>

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

10. Other Income

Description	2021-2022	2020-2021
	Kshs.	Kshs.
		RESTATED
Agency fee	4,198,010	1,388,249
Rental	985,962	351,349
Sale of books	4,252,299	1,135,164
Sale of tender document	-	(8,133)
Others	<u>19,702,781</u>	<u>10,719,774</u>
Total Other Income	<u>29,139,052</u>	<u>13,586,403</u>

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

Restatement

- b) Other income was restated by Kshs 5,101,821 being Deferred Income Recognized which has been reclassified to Revenue from Non-Exchange Transactions.

Description	Amount
Audited Balance	8,688,224
Deferred Income Recognized	<u>(5,101,821)</u>
Total	<u>13,586,403</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Gain on Foreign Exchange Transactions

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Gain on foreign exchange transaction	3,263,183	517,058
	<u>3,263,183</u>	<u>517,058</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.

12. Employee Costs

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Basic Salaries	235,998,620	228,986,209
House Allowances	36,119,355	35,550,564
Other Allowances	10,446,977	12,226,725
Leave Allowances	4,387,198	5,131,000
Commuter Allowances	22,640,000	22,145,054
Internship	285,484	13,333
Entertainment	475,161	430,000
Staff Training	78,406,473	21,950,413
Induction and Orientation	-	1,123,320
Pension Expenditure	54,206,686	49,922,154
Gratuity	4,879,550	3,838,312
Recruitment	541,045	5,623,711
Fringe Benefit	2,220,461	16,908,269
Personal Guide	240,000	80,000
Total Employee Costs	<u>450,847,010</u>	<u>403,929,064</u>

13. Board of Directors Costs

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Airfare	4,361,420	502,762
Allowance and other expense	32,928,684	30,400,424
Chairman's Honoraria	640,000	960,000
Total Board of Directors Costs	<u>37,930,104</u>	<u>31,863,186</u>

14. Purchase of Water & Electricity

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Water	341,973	616,074
Electricity	4,117,187	3,659,613
Total Purchase of Water and Electricity	<u>4,459,160</u>	<u>4,275,687</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Motor vehicle	3,570,657	1,512,389
Boats	5,000	2,623,096
Computer	4,623,579	5,500,460
Building	1,751,662	11,302,674
Total Repairs and Maintenance	9,950,898	20,938,619

16. General Office Expenditure

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Domestic and Overseas Air Travel	24,344,636	11,139,994
Duty Travel Allowances - Domestic and Foreign	109,938,934	47,278,831
Conference and Seminars	32,512,824	26,071,544
Advertising	1,929,088	2,724,477
Publicity & Awareness	26,535,411	28,980,129
Medical and Group Accident Cover	26,613,279	29,480,645
Office Rent	10,724,650	11,696,277
HIV and AIDs related Awareness	1,097,460	1,649,756
Transport Hire	11,284,500	9,698,995
Fuel Costs	4,417,766	4,374,226
Library Expenses	5,879,802	6,899,761
Club Fees	-	505,348
Community Support	2,178,772	3,817,394
Bank Charges & Commissions	37,713,851	39,219,798
Security Services	6,455,952	5,228,288
Audit Fees	2,500,000	2,500,000
Professional & Consultancy Fees	5,985,069	7,793,624
Insurance	5,758,839	5,142,347
Legal Fees	844,714	-
Marine Safety & Env. Protection	256,760	1,146,280
Office Incidentals	5,203,134	2,800,599
Uniform and Clothing	50,000	-
Office Carpet and Curtain Cleaning	5,882,784	5,245,189
Entertainment	1,303,793	1,398,825
Printing and Stationery	4,198,098	2,193,763
Bad and Doubtful Debts	9,192,074	-
Other Admin Expense	-230	162,239
Communication Costs	12,151,454	10,631,107
Collaborations & Partnerships	49,058,822	10,961,090
Total General Expenditure	404,012,236	278,740,526

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. MLVMCT Project Costs

Description	2021-2022 Kshs.	2020-2021 Kshs.
Transfers to the Project	-	69,000,000
Direct Payments of Project Expenses	1,961,286	1,847,705
Total MLVMCT Project Costs	1,961,286	70,847,705

18. Depreciation and Amortization Expense

Description	2021-2022 Kshs.	2020-2021 Kshs.
		RESTATED
Property, Plant and Equipment	17,282,316	19,900,260
Intangible Assets	-	2,561,666
Total Depreciation and amortization	17,282,316	22,461,926

Restatement

c) Restatement of FY2020/2021 balance was due to the depreciations of Search and Rescue boat and Boundary walls which had not been factored. The restatement is as tabulated below;

Description	Amount Kshs
Audited Accounts	20,610,154
Depreciation-Search & Rescue Boat	1,742,012
Depreciation-Boundary Wall	109,760
Total	22,461,926

19. Cash and Cash Equivalents

Description	2021-2022 Kshs.	2020-2021 Kshs.
Current Account	113,595,550	466,874,411
Treasury Bills < 3 Months	1,278,585,100	1,014,801,320
Others	45,855,967	11,840,725
Total Cash and Cash Equivalents	1,438,036,617	1,493,516,456

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

Financial Institutions	Account Number	2021-2022 Kshs.	2020-2021 Kshs.
a) Current Account			
KCB Current Account (Ksh)	1101575093	102,339,024	434,765,658
KCB Current Account (Dollar)	1167698452	2,216,164	22,105,763
KCB Current Account-Kisumu (Ksh)	1111688923	496	1,309
KCB Current Account-Lamu (Ksh)	1215829051	288	50,392
KCB Current Account-Lodwar (Ksh)	1218308931	23,534	4,289
NBK Current (Dollar)	02003057729100	9,016,044	9,947,000
Sub-Total		113,595,550	466,874,411

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Cash and Cash Equivalents (Continued)

b) Treasury Bills < 3 Months

Central Bank of Kenya	1,278,585,100	1,014,801,320
Sub-Total	1,278,585,100	1,014,801,320

c) Others

Petty Cash-Mombasa Office	8,645	21,940
Petty Cash-Lamu Office	-	2,445
Petty Cash-Turkana Office	-	21,452
Petty Cash-Kisumu Office	25,908	3
KCB Savings Account	1107477549 3,392,845	3,393,910
Outstanding Imprest-Staff	42,428,569	8,365,175
Outstanding Imprest-Directors	-	35,800
Sub-Total	45,855,967	11,840,725
Grand Total	1,438,036,617	1,493,516,456

20. Trade Receivable from exchange transaction

Description	2021-2022 Kshs.	2020-2021 Kshs.
Trade	20,293,848	13,344,651
Interest receivable	2,597,345	14,539,337
Prepayments	22,572,440	25,498,988
Others non-trade	3,415,324	3,232,906
Less: Provision for Doubtful debts	(14,902,030)	(5,709,956)
Total Trade Receivable from exchange transactions	33,976,927	50,905,926

Provision for Doubtful debts Movement Schedule

Description	2021-2022 Kshs.	2020-2021 Kshs.
Balance as at 1st July	5,709,956	11,148,096
Increase/(Decrease) recognized in Statement of Financial Performance	9,192,074	(5,438,140)
Balance as at 30 June	14,902,030	5,709,956

21. Receivable from non-exchange transaction

Description	2021-2022 Kshs.	2020-2021 Kshs.
MS Levy fees	141,686,071	135,249,595
Staff Debt	4,239,214	4,536,845
Salary Advance	1,197,010	445,504
Training Levy	2,081,150	2,733,125
Other	31,694,085	30,065,291
Total Receivable from non-exchange transaction	180,897,530	173,030,360

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Inventories	2021-2022	2020-2021
Description	Kshs.	Kshs.
General supplies	3,030,927	3,209,868
Publications & library books	287,302	284,019
Total Inventories	3,318,229	3,493,887

23. Mortgage Guarantees

Description	2021-2022	2020-2021
	Kshs.	Kshs.
House Loan Guarantee	212,934,613	211,121,955
Car Loan Guarantee	32,037,649	31,915,577
Total Mortgage Guarantees	244,972,262	243,037,532

Mortgage Guarantees Movement Schedule

Description	House Mortgage Kshs	Car Loan Kshs	Total Kshs
Balance as at 1st July 2021	211,121,955	31,915,577	243,037,532
Transfers	-	-	-
Interest Earned	1,812,658	122,072	1,934,730
Balance as at 30 June 2022	212,934,613	32,037,649	244,972,262

24. Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	94,121,024	86,481,434
Additions	-	-
At end of the year	94,121,024	86,481,434
Additions-Work in Progress	4,408,918	7,639,590
At end of the year	98,529,942	94,121,024
Amortization And Impairment		
At beginning of the year	83,231,758	80,670,091
Amortization	-	2,561,667
At end of the year	83,231,758	83,231,758
Impairment loss	-	-
At end of the year	83,231,758	83,231,758
NBV	15,298,184	10,889,266

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 NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Property, Plant and Equipment

Assets	Land	Buildings	Motor vehicles	Computers & IT Equipment	Furniture & Equipment	Capital Work in Progress	Total
Cost or Valuation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2020	237,716,383	4,390,414	57,815,468	73,771,616	154,090,044	1,375,156,053	1,902,939,978
Disposal	-	-	-	-	-	-	-
Additions	-	-	-	2,524,519	1,152,565	389,337,907	393,014,991
Re-allocation	-	-	-	-	-	-	-
As at 30 June 2021	237,716,383	4,390,414	57,815,468	76,296,135	155,242,609	1,764,493,960	2,295,954,969
Disposal	-	-	-	-	-	-	-
Additions	-	-	-	2,372,028	-	180,143,114	182,514,142
Re-allocation	-	-	-	-	-	-	-
As at 30 June 2022	237,716,383	4,390,414	57,815,468	78,668,163	155,242,609	1,944,636,074	2,478,469,111
Depreciation and impairment							
As at 1 July 2020 Restated	-	548,802	50,159,147	72,266,210	109,826,126	-	232,800,285
Disposal	-	-	-	-	-	-	-
Charge for the year	-	109,760	5,210,660	1,764,191	12,815,649	-	19,900,260
Adjustments	-	-	-	-	-	-	-
As at 30 June 2021 Restated	-	658,562	55,369,807	74,030,401	122,641,775	-	252,700,545
Disposal	-	-	-	-	-	-	-
Charge for the year	-	109,760	2,445,660	2,217,171	12,509,725	-	17,282,316
Adjustments	-	-	-	-	-	-	-
As at 30 June 2022	-	768,322	57,815,467	76,247,572	135,151,500	-	269,982,861
Net Book values							
As at 30 June 2022	237,716,383	3,622,092	1	2,420,591	20,091,109	1,944,636,074	2,208,486,250
As at 30 June 2021	237,716,383	3,731,852	2,445,661	2,265,734	32,600,834	1,764,493,960	2,043,254,424

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Property, Plant and Equipment (Continued)
Restatement

- d) Depreciation of Boundary wall constructed at a cost of Kshs 4,390,414 in October 2015 was captured through recognition of accumulated depreciation amounting to Kshs 548,802 for the period upto June 2020.

Depreciation of the boundary wall of Kshs 109,760 and Search and Rescue boat of Kshs 1,742,012 which had not been recognized in the year ending June 2021 have been charged to the year's depreciation.

Accumulated depreciation as at June 2021 therefore changed as summarized below;

Description	Kshs
Balance as per Audited Accounts	250,299,971
Boundary Wall Accumulated Depreciation	548,802
Boundary Wall Depreciation	109,760
Search & Rescue Boat Depreciation	1,742,012
Total	252,700,545

The Restated Net Book Values are as tabulated below;

Assets Cost or Valuation	Land	Building	Motor vehicles	Computers & IT Equipment	Furniture & Equipment	Capital in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021	237,716,383	4,390,414	57,815,468	76,296,135	155,242,609	1,764,493,960	2,295,954,969
Depreciation and Impairment							
As at 30 June 2020-Audited	-	-	50,159,147	72,266,210	109,826,126	-	232,251,483
Boundary Wall Accumulated Depreciation	-	548,802	-	-	-	-	548,802
As at 30 June 2020-Restated	-	548,802	50,159,147	72,266,210	109,826,126	-	232,800,285
Charge for the year	-	-	5,210,660	1,764,191	11,073,637	-	18,048,488
Boundary Wall Depreciation	-	109,760	-	-	-	-	109,760
Search & Rescue Boat Depreciation	-	-	-	-	1,742,012	-	1,742,012
As at 30 June 2021-Restated	-	658,562	55,369,807	74,030,401	122,641,775	-	252,700,545
Net Book values							
As at 30 June 2021-Restated	237,716,383	3,731,852	2,445,661	2,265,734	32,600,834	1,764,493,960	2,043,254,424

Property plant and Equipment includes the following assets that are fully depreciated:

Asset Class	Cost	Normal Annual Depreciation Charge
Motor Vehicles	57,815,468	11,563,094
Computers & IT Equipment	73,771,615	24,590,538
Furniture & Equipment	67,268,041	8,408,505
Total	198,855,124	44,562,137

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade and other payables from exchange transaction

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Trade Payables	86,530,783	213,056,009
Audit Fees Payable	6,100,000	6,400,000
Staff payables	4,399,819	12,071
Statutory	15,556,883	1,088,815
Other payable	76,707,292	124,488,816
Total	189,294,777	345,045,711

27. Gratuity

Description	2021-2022	2020-2021
	Kshs.	Kshs.
As at 1 July	4,397,330	6,684,357
Charge for the year	4,879,550	3,838,313
Payment during the year	-	(6,125,340)
As at 30 June	9,276,880	4,397,330

28. Deferred Government Grant

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Deferred Income	10,203,642	15,305,463
Less: Deferred Income Recognized	(5,101,821)	(5,101,821)
Total	5,101,821	10,203,642

29. Cash Generated from Operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the Year	773,954,297	909,716,784
Adjusted for:		
Depreciation	17,282,316	22,461,926
Foreign Exchange (Gain) Loss	(3,263,183)	(517,058)
Working Capital Adjustments		
Increase in Trade Receivables	9,061,829	(5,867,010)
Decrease in Inventories	175,658	455,092
Decrease in Trade Payables	(155,750,934)	230,649,107
Increase in Gratuity	4,879,550	(2,287,027)
Decrease in Deferred Income	(5,101,821)	(5,101,821)
Net Cash From Operating Activities	641,237,712	1,149,509,993

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. 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 2022				
Receivables from exchange transactions	48,878,957	33,976,927	14,902,030	-
Receivables from non-exchange transactions	180,897,530	180,897,530	-	-
Bank balances	1,438,036,617	1,438,036,617	-	-
Total	1,667,813,104	1,652,911,074	14,902,030	-
At 30 June 2021				
Receivables from exchange transactions	56,615,882	19,724,726	31,087,157	5,803,999
Receivables from non-exchange transactions	173,030,360	173,030,360	-	-
Bank balances	1,493,516,456	1,493,516,456	-	-
Total	1,723,162,698	1,686,271,542	31,087,157	5,803,999

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. 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 2022				
Trade payables	26,332,384	43,827,670	16,370,729	86,530,783
Provisions	-	6,100,000	57,429,950	63,529,950
Deferred Government Grant	-	-	5,101,821	5,101,821
Total	26,332,384	49,927,670	78,902,500	155,162,554
At 30 June 2021				
Trade payables	161,393,667	51,662,342	-	213,056,009
Provisions	11,588,710	6,400,000	99,387,221	117,375,931
Deferred Government Grant	-	-	10,203,642	10,203,642
Total	172,982,377	58,062,342	109,590,863	340,635,582

(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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. FINANCIAL RISK MANAGEMENT(Continued)

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:

FY2022

	Ksh	Other Currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets			
Cash	1,426,804,409	11,232,208	1,438,036,617
Debtors	211,955,135	17,262,237	229,217,372
Total Financial Assets	1,638,759,544	28,494,445	1,667,253,989
Liabilities			
Trade and other payables	644,021,308	163,303	644,184,611
Total Financial Liabilities	644,021,308	163,303	644,184,611
Net foreign currency asset/(liability)	994,738,236	28,331,142	1,023,069,378

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.

FY2021

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30 June 2021			
Financial Assets			
Cash	1,461,463,693	32,052,763	1,493,516,456
Debtors	210,774,327	13,161,959	223,936,286
Total Financial Assets	1,672,238,020	45,214,722	1,717,452,742
Liabilities			
Trade and other payables	789,427,725	293,338	789,721,063
Total Financial Liabilities	789,427,725	293,338	789,721,063
Net foreign currency asset/(liability)	882,810,295	44,921,384	927,731,679

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. FINANCIAL RISK MANAGEMENT(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	Effect on	Effect on
	currency rate	Profit	equity
	Kshs	before tax	Kshs
2022			
USD	10%	2,833,114	2,833,114
2021			
USD	10%	4,492,138	4,492,138

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 14,380,366 (2021: Kshs 14,935,165). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 71,901,831 (2021 – Kshs 74,675,823).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. 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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	4,373,470	4,373,470
Retained earnings	3,164,554,663	2,918,928,479
Capital reserve	76,771,434	76,771,434
Specific reserves	230,000,000	230,000,000
Total funds	3,475,699,567	3,230,073,383
Total borrowings	0	0
Less: cash and bank balances	1,438,036,617	1,493,516,456
Net debt/(excess cash and cash equivalents)	(1,438,036,617)	(1,493,516,456)
Gearing	0%	0%

31. 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 Parent Ministry;
- ii) County Governments;
- iii) Other SCs and SAGAs
- iv) Key management;
- v) Board of directors;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Related Party Balances (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to Govt agencies	-	-
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Others (Specify) e.g Interest and Bank charges	-	-
Total	-	-
b) Purchases from related parties		
Purchases of electricity from KPLC	3,731,369	3,504,688
Purchase of water from Govt service providers	5,570	49,673
Rent expenses paid to Govt agencies	8,732,424	7,737,915
Training and conference fees paid to govt. agencies	22,367,110	17,555,672
Others (specify)	-	-
Total	34,836,473	28,847,948
b) Grants /Transfers from the Government		
Grants from National Govt	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	26,320,557	24,225,577
Compensation to key management	30,473,500	22,043,974
Total	56,794,057	46,269,551

32. Capital Commitments

Capital commitments	2021-2022	2020-2021
	Kshs	Kshs
Authorised and contracted for	1,728,176,418	1,728,176,418
Total	1,728,176,418	1,728,176,418

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. 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. In line with this legal requirement the Authority remitted Kshs 511,122,944 (FY2021 Kshs 114,701,539).

The Surplus Remission has been computed as follows:

DESCRIPTION	FY2021-2022 Kshs.	FY2020/2021 Kshs.
Surplus for the Year	773,954,297	909,716,784
Less: Allowable deductions by NT		
Purchase of Assets	(186,923,060)	(400,654,581)
Oil Spill & SAR Fund Transfer	-	-
Mortgage & Car Loan Guarantees	-	(25,000,000)
Total Allowable deductions	(186,923,060)	(425,654,581)
Realized Surplus Funds	587,031,237	484,062,203
90% of Realized Surplus Funds	528,328,113	435,655,983

Surplus Remission Payable

Description	2021-2022 Kshs.	2020-2021 Kshs.
As at 1 July	428,407,785	107,453,341
Realized Surplus Funds	528,328,113	435,655,983
Paid during the year	(511,122,944)	(114,701,539)
As at 30 June	445,612,954	428,407,785

Restatement

- e) The FY2020/2021 balance has been restated due to the increase in depreciation expense by Kshs 1,851,772 being Kshs 109,760 for Boundary Wall and Kshs 1,742,012 for Search and Rescue Boat. Adjustment of depreciation expense led to a decrease of surplus funds payable by Kshs 1,666,595 being 90% of the depreciation expense of Kshs 1,851,772 as;

Description	Kshs
Balance as per Audited Accounts	430,074,380
90% Surplus Decrease	(1,666,595)
Total	428,407,785

34. Events After the Reporting Period

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

35. 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.

36. Currency

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

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
Basis for Qualified Opinion				
1.1	An amount of Kshs. 4,344,000 dating back to June, 2018 was not recorded in cash book. The payment was to a legal firm but was not supported by a PV, procurement supporting documents, evidence of services rendered and authorization of remittance of the funds to the law firm.	The transaction has been recorded in the Cashbook.	Resolved	
1.0	Statement of Financial Position reflects total asset balance of Kshs 4,020,528,425 and total net assets and liabilities balance of Kshs 4,020,492,625 resulting to unexplained balance of Kshs 35,800.	Summation error of total net assets and liabilities was corrected to Kshs 4,020,528,425.	Resolved	
2.0	The statement of performance reflects levies of Kshs 1,686,396,774 under revenue from non-exchange transactions. Monthly and annual reports on imports, exports and fees collected were not provided for audit. KMA had not been granted access to the KRA custom system contrary to the agreement. There was no documentary evidence in form of reconciliation or computation of expected and actual collections of maritime shipping levies as per manifests received from KRA	KRA were undertaking system migration before granting access for the KMA team. In the meantime the management have contracted vendor to develop MS fee module in the ERP system to verify amount collected by KRA.	ongoing	30.06.2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	was provided for audit verification.			
3.0	The statement of financial performance reflects general office expenditure balance of Kshs 278,740,526 includes Kshs 47,278,831 spent on duty travel allowances. However, the latter amount includes Kshs 6,898,235 for which, boarding passes, air and bus tickets and approved annual activity plans were not provided for Audit verification.	All the supporting documents are available for review		
4.0	An amount of Kshs. 4,344,000 dating back to June, 2018 was not recorded in cash book. The payment was to a legal firm but was not supported by a PV, procurement supporting documents, evidence of services rendered and authorization of remittance of the funds to the law firm. Bank reconciliation for June 2021 reflects an amounts of Kshs 2,221,034 described as payment to suppliers not yet recorded in cash book.	The transactions have been recorded in the Cashbook.	Resolved	
5.0	Statement of financial position reflects trade receivables from exchange transactions balance of Kshs 50,905,926. However, the balance includes an amount of Kshs 6,876,510 which had been outstanding since 1 July, 2015. Although credit policy requires that any amount outstanding for over 45days be recommended to an agency to ensure a follow up and subsequent settlement, the management did not refer	Concerted effort have been put in place to collect these debts through enforcement and awareness campaigns. Most of them have paid while others have also promised to pay. Measures have been put in place to only offer service on		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	the long outstanding amount to a debt collection agency.	prepayment basis. It is uneconomical to use collecting agency due to amount involved.		
Lawfulness And Effectiveness In Use Of Public Resources				
1.1.	Review of certificate of lease indicates that the leasehold interest is subject to the agreement and other matters contained in the registered lease. However, among the conditions outlined in the lease is condition 1(g) which requires that the land be used only for the purposes of residence which shall include servant quarters and condition 1(i) requires that no trade or business of any description should be conducted on the land or buildings. There was no evidence Kenya Railways agreed to the alteration of the quoted conditions of the lease.	Discussion is ongoing with KRC	ongoing	30.06.2023
1.2	A scrutiny of the approved project appraisal report no 9 revealed introduction of three (3) new project activities under element no. 7 site instructions to builders work of Kshs 5,479,147 that were not factored in the contracted bill of quantities. However, documentary evidence of approval of the same by contract implementation team as provided for under section 151(2) PPADA 2015 was not provided for audit verification.	The management sought Attorney General opinion on how to handle the matter as stipulated in the law before payment.	Resolved	
2.1	Employee costs balance of Kshs 403,929,064 includes an	The staff were called upon by the		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	expenditure of Kshs 5,623,711. however this amount includes Kshs 760,000 paid to parent ministry's staff who were not gazetted board members.	Authority to assist implement the Mandate through various activities.		
2.2	The statement of financial performance reflects Board of Directors costs of Kshs 31,863,186 as disclosed in Note 12 to the financial statements. However, the expenditure exceeded the approved expenditure capping of Kshs 30,000,000 by Kshs 1,863,186 in contravention of the Circular No. OP/CAB.9/1A of 11 March 2020. In addition, available records indicated that the Board exceeded the approved number of meetings contrary to paragraph A(2) OF circular No. O/CAB,9/1A of 11 March 2020 which restricts board meetings to a maximum of six (6).	Measure have been put in place to seek approval for any amount to be spend over and above the ceiling provided		
3.1	Communication costs of Kshs 10,631,107 includes Kshs 3,348,000 airtime paid to 33 officers in KMA Grades 2,3 and 4 at monthly rates higher than the rates provided in Circular Ref OP/CAB/15 dated 15 March 2010. As a result the officers were overpaid by Kshs 1,932,000.	The anomaly has been rectified	resolved	
3.2	Examination of contract records revealed that the Authority entered into an agreement for consultancy	The report delivered to the Authority	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	services at a contract price of Kshs 2,505,600 and a contract period of 21 days with Kenya School of Government on 10 June 2021. The special conditions of the contract indicated that the Authority was to pay 20% at presentation of inception report and contract to automatically terminate 21 days after commencement of the service. however, as at the time of audit in January 2022, the Authority had spent Kshs 851,600 or 33% of the contract sum but the consultant had not delivered the inception report.			
2.3	The Authority opened and operated 4 bank accounts at 3 local banks without evidence of approval from the National Treasury. This was contrary to section 28(1) of the PFM Act 2012.	All the concurrence were sought from the National Treasury for all the Bank accounts	Resolved	

Director General



Date: 14 September 2022

APPENDIX II: PROJECTS IMPLEMENTED BY KENYA MARITIME AUTHORITY

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 expend ed to date	Completion % to date	Budget	Actual	Sources of Funds
1	Construction of KMA Headquarters	2,043M	1,945M	99%	896M	180M	KMA
2	Multinational Lake Victoria Maritime Communication and Transport	860M	30M	3%	79M	15M	AFDB

APPENDIX III: INTER-AUTHORITY TRANSFERS

ENTITY NAME:		KENYA MARITIME AUTHORITY		
Break down of Transfers from the State Department for Shipping and Maritime				
FY 2021/2022				
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

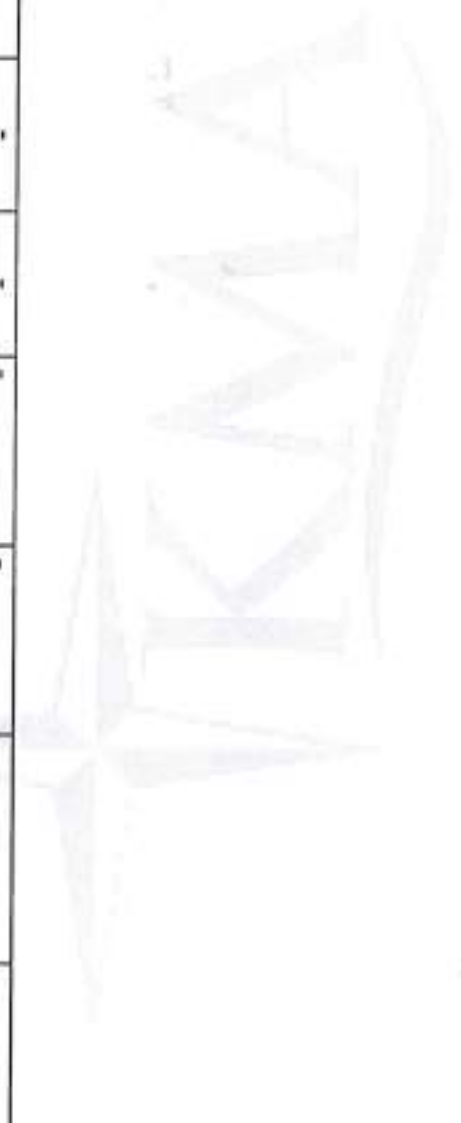
Sign

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

Sign

APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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



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APPENDIX V- INTER-ENTITY CONFIRMATION
[Insert your Letterhead]

[Insert name of beneficiary Entity]
[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary Entity]</i> as at 30 th June 2022						
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30 th June 2022			Amount Received by <i>[beneficiary Entity]</i> (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
Total						

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name Sign Date *02/06/22*

APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Kenya Maritime Authority
 (254) 041 2318398/9
 info@kma.go.ke
 Mr. John O. Omingo

Name and contact details of contact person (in case of any clarifications)N/A.....

There were no projects with climate relevant expenditures during the Financial Year.

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	

APPENDIX VII: DISASTER EXPENDITURE REPORTING

Date: 30 June 2022

Kenya Maritime Authority

Period to which this report refers (FY)	Year	Quarter				
	2021/2022					
Name of Reporting Officer	Mr. John O. Omingo					
Contact details of the reporting officer:	Email	Telephone				
	info@kma.go.ke	0724319344				
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments