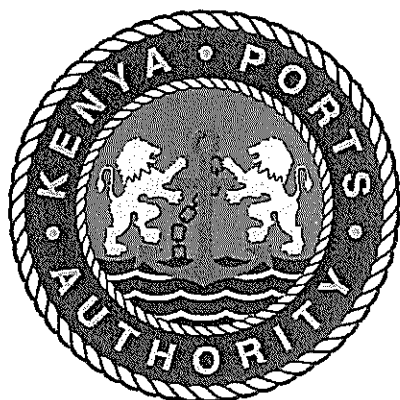


OFFICE OF THE AUDITOR GENERAL
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2021/2022

"WORLD CLASS PORTS OF CHOICE"

**KPA ANNUAL
REPORT AND
FINANCIAL
STATEMENTS**

**Prepared in accordance with the accrual basis of accounting under
the International Financial Reporting Standards (IFRSs)**

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Abbreviations

AD	Alternate Director
AG	Attorney General
Ag.	Acting
Amb.	Ambassador
C	Chairman
CBS	Chief of Burning Spear
CDI	Community Directed Investment
CIRT	Computer Incident Response Team
CoK 2010	Constitution of Kenya 2010
CT2	Second Container Terminal
D	Director
DB	Defined Benefit
DC	Defined Contribution
DNS	Domain Name System
DWT	Dead Weight Tonnage
EAP	Employee Assisted Program
EGH	Elder of the Order of the Golden Heart
EXCOM	Executive Management Committee
FVOCI	Future Value Through Comprehensive Income
FVTPL	Future Value Through Profit & Loss
Gen.	General
GM	General Manager
GoK	Government of Kenya
HOMS	Home Ownership Mortgage Scheme
IAOs	Integrity Assurance Officers
ICDK	Inland Container Depot Kisumu
ICDN	Inland Container Depot Nairobi
ICT	Information Communication Technology
IFRSs	International Financial Reporting Standards
IGSC	International Green & Sustainable Computing
IMDG	International Maritime Dangerous Goods
ISPS	International Ship & Port Facility Security
ISS	Integrated Security System
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
KFS	Kenya Ferry Services Ltd
KMA	Kenya Maritime Authority
KOT	Kipevu Oil Terminal
KRC	Kenya Railways Cooperation
KTNL	Kenya Transport & Logistics Network
LAPSSET	Lamu Port South Sudan Ethiopia Transport
MD	Managing Director

ABBREVIATIONS (Cont'd)

MHC	Mobile Harbor Crane
MoH	Ministry of Health
MoTIHUD	Ministry of Transport & Infrastructure, Housing, Urban Development and Public Works
MOWASCO	Mombasa Water Supply & Sanitation Company
MPDP	Mombasa Port Development Project
NACADA	National Authority for the Campaign Against Alcohol & Drug Abuse
NBV	Net Book Value
NEMA	National Environment Management Authority
NT	National Treasury and Planning
OSHA	Occupational Safety and Health Act
PAT	Profit After Tax
PBT	Profit Before Tax
PC	Performance Contracting
PFM Act	Public Finance Management Act
PPE	Property Plant & Equipment
Rtd.	Retired
SCAC	State Corporations Advisory Committee
SDT	State Department of Transport
STS	Ship to Shore
TEUs	Twenty Feet Equivalent units
TMEA	Trade Mark East Africa
WIP	Works in Progress

WHO WE ARE

Establishment

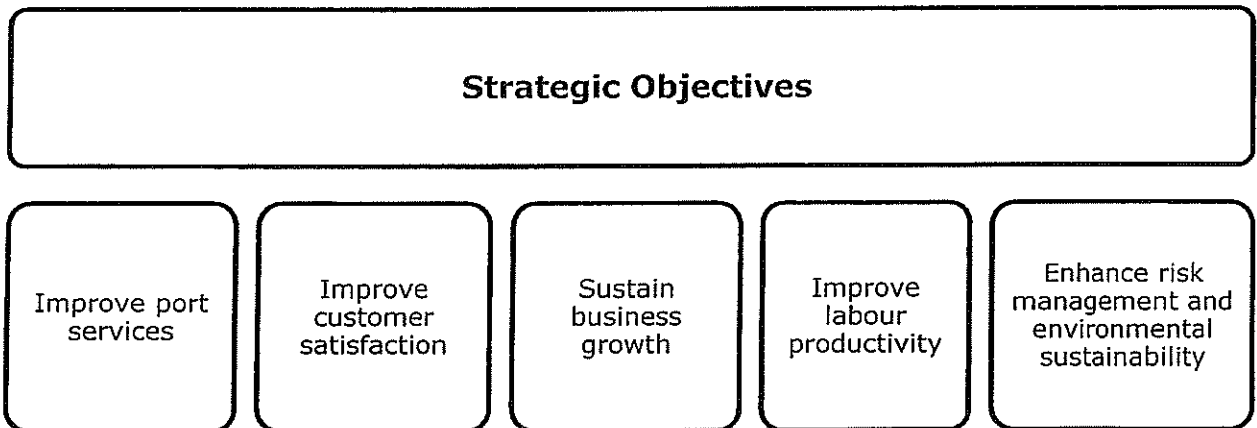
Kenya Ports Authority (KPA) is a statutory body under the National Treasury and Planning. It was established by an Act of Parliament Cap 391 on 20th January 1978 with the mandate to develop, maintain, operate, improve, and regulate all seaports along the coastline and inland waterways in Kenya. At the cabinet level, the Authority is represented by the Cabinet Secretary for the National Treasury & Planning. The Authority is domiciled in Kenya with liaison offices in Uganda, Rwanda, and Burundi.

Vision

"World Class Ports of choice"

Mission

"To Provide Efficient and Competitive Port Services to Facilitate Global Trade"



WHO WE ARE (Cont'd)

KPA Strategy is focused on 4 (four) strategic themes.

I. Operational Excellence

- Having well developed ICT systems that are integrated with other cargo facilitating systems to transform our ports into e-ports
- Increasing productivity of our resources
- Increasing and modernizing our port(s) capacity
- Reducing operational costs
- 24/7 service

II. Customer Service Excellence

KPA is consistently delivering superior customer experience by;

- Enhanced effective customer relations and service programs
- Enhancing our regional presence, and Knowledgeable, collaborative, consultative relationships that Meet customer expectations

III. Business Growth

KPA is focused on;

- Increasing throughput
- Growing market share
- Ensure financial stability and
- Ensuring strong partnerships

IV. Good Governance

KPA is undertaking the following strategic approaches;

- Compliance with international standards and guidelines, and all statutory laws and regulations
- Ensure social and environmental sustainability
- Building a strong, competent, cohesive, engaged and multi skilled workforce
- Promoting a performance culture that is guided by structured planning and enabling policies; accountability, transparency, responsiveness, equity, inclusiveness, effectiveness, efficiency, and participation
- Ensuring a conducive environment that promotes good work ethics and
- Ensuring structured enterprise risk management

PRINCIPAL ACTIVITIES

KPA's mandate is to develop, maintain, operate, improve, and regulate all scheduled seaports along Kenya's coastline. Core activities include;

- i. Pilotage
- ii. Towage
- iii. Mooring
- iv. Dockage
- v. Provision of navigational aids, and maintenance of the channel
- vi. Stevedoring and shore handling services: cargo handling services for containers, general cargo, dry bulk, and bulk liquid
- vii. Reception of cruise passengers
- viii. Storage of cargo awaiting onward shipment

AUTHORITY INFORMATION

Directors

Name	Position	Appointed
Gen. (Rtd) Joseph. R. E. Kibwana	Chairman	Reappointed - July 2022
Amb. John Mwangemi	Ag. MD	
Ukur Yatani	CS, NT	
Dr. Eng. Joseph Njoroge	PS, SDT	
Conrad Thorpe	Director	Reappointed - October 2021
Darius Mobe	Director	Reappointed - October 2021
Delilah Ngala	Director	Left - October 2021
Farida A. Soud	Director	Appointed - October 2021
Lydia J. Yator	Director	Reappointed - October 2021
Nilfat K. Ali	Director	
Stephen G. Gichuhi	Director	Appointed - October 2021
Eng. Philip J. Mainga	Director (KRC)	
Beatrice Nyamoita	AD (MoTIHUD)	
Oscar Iredi	AD (AG)	
Prof. Dulacha B. Galgalo	AD (NT)	
Julius Segera	AD (MoTIHUD)	
Festus King'ori	AD (NT)	
Turasha Kinyanjui	CS & GM Board & Legal Services	

AUTHORITY INFORMATION (Cont'd.)

Registered Office:

Kenya Ports Authority
Administration Block, Kipevu
P.O Box 95009-80104
Telephone: +254-41-2112999, +254-41-2113999
Mobile: +254-709092999,709093999, 730653999
Website: www.kpa.co.ke

Mombasa

Corporate Secretary

Turasha Kinyanjui
Corporation Secretary & General Manager Legal
Services
Kenya Ports Authority Administration Block,
P.O Box 95009-80104

Mombasa

Independent Auditor

Auditor General
Office of The Auditor General
Anniversary Towers, University way
P.O. Box 30084-00100

Nairobi

Principal Legal Adviser

The Attorney General
State Law office
Harambee Avenue
P.O. Box 40112-00100

Nairobi

Principal Bankers:

Citibank N. A
Citibank House, Nkrumah Road
P.O. Box 83615-80100

Mombasa

Equity Bank Ltd.
UTC Building, Moi Avenue
P.O. Box 84628-80100

Mombasa

National Bank of Kenya

Portway House, Moi Avenue
P.O. Box 87770-80100

Mombasa

Kenya Commercial Bank Ltd.
Treasury Square Branch
P.O. Box 90254-80100

Mombasa

Kenya Commercial Bank Ltd.
Avenue Pierre NGENDANDUMWE
P.O. Box 6119
Bujumbura

Burundi

Stanbic Bank
Stanbic Bank Centre, Westland Rd
P.O Box 30550-00100

Nairobi

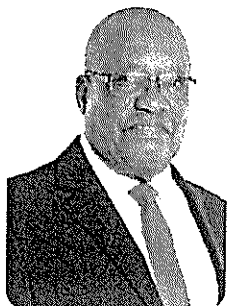
Kenya

Stanbic Bank
Crested Towers Plot 17, Hannington Rd
P.O Box 7131

Kampala

Uganda

THE BOARD OF DIRECTORS



Gen. (Rtd) Joseph R. E. Kibwana, EGH, CBS (born 1947)

He is the immediate former Chairman and was reappointed the Chairman of the Board of Directors in July 2022.

A career Naval officer, he rose through the ranks upto his retirement as a General in 2005. During his military service, he served as Chief of the General Staff of the Kenya Armed Forces (2000-2005); Commandant of the National Defense College (1998-2000); Commander of the Kenya Navy (1988-1998); Chief of Military Intelligence (1982-1985) among other senior appointments.

Upon retirement from the armed forces, he was appointed Chairman of the Board of Directors of Kenya Ports Authority (2005-2008). He has also served as Chairman of Kenya Trade Network Agency (KENTRADE) (2011-2014 and 2015-2018); and also as Non-Executive Director on the Boards of KCB Bank group Plc. (2012-2017); KCB Bank Burundi (2013-2015) and is currently Chairman of KCB Bank South Sudan.

He is an alumni of the Britannia Royal Naval college (UK); Farady House Engineering College (UK); the US Naval Staff College and the US Naval War College.



Amb. Ukur Yatani CS, National Treasury (born 1967)

He has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom and Bachelor of Arts in Economics, Egerton University.

He has served as assistant minister for science & technology and has also served in different positions in Kenya's Public Administration including a District Commissioner.

He has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. He is the 1st Governor of Marsabit County, has been the MP for North Horr Constituency (2006-2007), served as Kenya's Ambassador to Austria with accreditation to Hungary & Slovakia and Permanent Representative to the United Nations in Vienna.

He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.



Dr. Eng. Joseph Njoroge CBS Ps State Department of Transport, MoTIHUD & PW (born 1958)

He holds a First Class Honours degree in Electrical Engineering, Master of Business Administration with a major in strategic management and a Doctor of Philosophy (PhD) in Strategic Management, all from the University of Nairobi. He is a Chartered Electrical Engineer; a member of the Institution of Engineering and Technology, UK; a Registered Consulting Engineer; a Fellow of the Institution of Engineers of Kenya; and a member of Institute of Directors, Kenya. He is also a trainer in Corporate Governance.

Dr. Eng. Joseph K. Njoroge has a wide experience in Leadership and Management at policy, business and operational levels gained while working at Energy and Petroleum public service delivery initiatives. He is former KPLC MD, PS Ministry of Energy & Petroleum as well as PS State Department of Energy.

THE BOARD OF DIRECTORS PROFILES (Cont'd)



**Conrad Thorpe
(born 1964)**

He was reappointed to the Board in October 2021.

An industry leader with 15 years of experience of leading a multi-national, pan-African and Asian risk management business. He founded Salama Fikira, an enterprise risk management company in Kenya. Today the company has offices in seven countries and a presence in eight others. The Group has management certification of ISO9001, 28007, 18001 and 14001, as well as ABC certification through Trace®. It is also the only African Risk Management company with the German Police Licence. The Group operates across 80% of Africa with increased service delivery in Asia and parts of Europe. In addition to his core duties at the Board of the KPA, he is also the Chairman of the Board of a London-listed company, as well as being on the Board of a Kenya conservation Not-for-Profit. He also served in HM Royal Marines and attended the Advanced Command and Staff Course with an MA in War Studies and Defence Technology. As a youth he excelled at sport, playing rugby for the 1st XV for Kenya Schools and representing his country as the Captain of the national swimming team.



**Stephen Gichuhi
(born 1965)**

He joined the Board in October 2021.

He holds a Bachelors degree in Business Management, Diplomas in Banking and Sales & Marketing, and is currently pursuing an MBA in Strategic Management from the University of Nairobi.

He has more than 34 years of banking experience culminating as GM Equity Bank Ltd. after rising through the banking ranks at Consolidated Bank of Kenya Ltd., Barclays Bank Africa., Barclays Bank Tanzania amongst others.

He has served as Chairman Finance & Staff welfare Committee at RBA, Board of Trustees RBA, Finance & Human Capital Committee of KCAA, Board of Directors RBA, KCAA, BOG member Mathenge Technical Institute, Board member & patron Mahiga Girls Secondary School and Kenyatta High School Magiha.



**Ms. Farida Soud
(born 1970)**

She joined the Board in October 2021.

She holds a MSc in Financial Service Management from the University of Salford, UK and is also pursuing CPA.

She is the Group Financial Controller-Multiparty at the Heritage Hotels Ltd. Kenya. She has vast experience in Finance having worked as assistant Financial Controller at Fairmont The Norfolk Nairobi, Financial Controller Fairmont Zanzibar, FRHI, Makkah, Saudi Arabia as the Group Chief Accountant/Pre Opening Accountant - Multi Property, Raffles Makkah Palace, and Swissotel Makkah.

She is the Chairperson-Mombasa County Public Service Board, vice Chair National Consultative Forum for County Public Service Boards, a member of Kenya Association of Women in Tourism (KAWT) and is also a Member of SKAL.

THE BOARD OF DIRECTORS PROFILES (Cont'd)



**Darius Mobe,
(born 1978)**

He was re-appointed to the Board in October 2021.

He has Bachelor of Arts degree in Business Management (BAM) from University of Sunderland (UK).

He is the country Director (South Sudan) of Lukiza Group of Companies.

He has served as a franchise director of Punctureseal Sudan Ltd. (2007-2009), MD of Saphyre Onyx Investments (2006-2008), Harrow Wield Investments (2004-2006), amongst other positions.

He has excellent business acumen skills, leadership skills, an excellent Board room negotiator, amongst other key skills.



**Nilfat Kassim Ali,
(born 1989)**

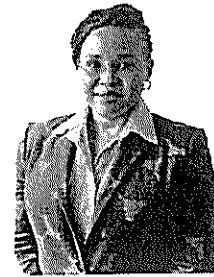
She joined the Board in November 2020.

She is an advocate of the High Court of Kenya with a Masters of Laws (LLM) degree in International Economic Law from the Chinese University of Hong Kong and a Bachelor of Laws (LLB) from Moi University, Kenya. She is soon to be a certified Islamic Finance Expert.

She is a member of the Law Society of Kenya and also the Association of Young Arbitrators.

She has both a legal and finance background having worked in the legal sector and advised financial institutions in Kenya on compliance and risk management.

Nilfat has also published on sustainable development in the African Journal of International Commercial Law.



**Lydia J. Yator
(born 1978)**

She was re-appointed to the Board in October 2021.

She is a final year Doctorate of Philosophy student in Business Administration at the university of Nairobi. She has an MBA and a Bachelor of Commerce degree both from the University of Nairobi. An alumni of Kenya Utalii College and an Associate Member (CIM & CIMA), she is also undergoing Breakthrough Leadership Transformation Programme.

She is the GM Lake Bogoria Group and also serves as a board member of Lord Errol Gourmet and Restaurant and Kabarak University Business Enterprise Ltd. A member of Women in Tourism, Hotel Managers Association, a Vice Chair North Rift Tourism Association, a Mentor at Global Women Mentorship Programme, a trainer and aspiring leadership coach and also actively involved in uplifting girl child from the less privileged society in the rural areas through awarding scholarships, motivational talks and spearheads fight against FGM.

She is a visionary and experienced leader in handling various functions, from managing hotels supply chain, designing, organizing, stewarding and evaluating operations in retail and hospitality establishments. She has a vast wealth of experience in the role of senior management of over 15 years within East Africa. She has been accredited in turning around organizations in to profitable institutions leading to growth and expansion of its operations, she believes in leading with impact and intentionally elevating others sustainably for higher purpose.

THE BOARD OF DIRECTORS PROFILES (Cont'd)



Philip J. Mainga
Managing Director KRC
(born 1966)

He holds Masters in Project Planning and Management (MAPM) from the University of Nairobi, a Master of Arts in Economics (M.A.) and a Bachelor of Arts (B.A.) both from University of Mysore, India. He also holds a certificate from Harvard University in Driving Government Performance. He is a member of Certified Finance Management for Project Managers (FMPM), Associate member MEGADEV Consultants and member Kenya Institute of Management (KIM).

Before being appointed the Acting MD, he was the GM Business and Operations, a role that covered the operations of the Madaraka Express, SGR Freight services and Estates management.

He has over 20 years in the Planning and Research profession and has worked in several capacities holding Corporate Planning and Research Manager Position.

Mr. Mainga is author of Economics and Ethics first edition 2010 - (Book), doing business in Kenya 2006 - Hand book (UNDP -Kenya).



Amb. John Mwangemi
Ag. Managing Director
(born 1959)

He is the immediate former ambassador to the republic of Djibouti and also served as the ambassador to Rwanda. Previously, he held senior executive positions in the corporate world both locally and internationally.

Ambassador Mwangemi studied Agronomy at the Institute of Agronomy, University of Clermont Ferrand France. He is fluent in french language and alumnus of Liverpool University school of Business where he undertook his Master of Business Administration (MBA).



Turasha Kinyanjui
CS & GM, Board and
Legal Services
(born 1972)

He holds a Bachelor of Laws LLB degree from the University of Nairobi and a diploma from Kenya school of Law. He is an advocate of the High Court of Kenya and is a Certified Public Secretary Kenya, CPS (K) and a member of the Institute of Credit Management Kenya.

He is a former lecturer of School of Credit Management, a former Credit Officer at Co-operative Bank of Kenya and has also served as a legal officer at the same Bank, Industrial and Commercial Development Corporation (ICDC), Agricultural Finance Corporation (AFC).

He is the Board Secretary and oversees the Contracts & Conveyance department, Litigation & Disputes, Ethics & Integrity including Archives and Maritime Museum.

MANAGEMENT TEAM

•Ag. Managing Director

- He is the immediate former ambassador to the Republic of Djibouti and also served as the Ambassador to Rwanda. Previously, he held senior executive positions in the corporate world both locally and internationally.
- Ambassador Mwangemi studied Agronomy at the Institute of Agronomy, University of Clermont Ferrand France. He is fluent in french language and alumnus of Liverpool University school of Business where he undertook his Master of Business Administration (MBA)

Amb. John Mwangemi



•GM, Finance & Commercial Services

- He holds a Masters degree in Business Administration (MBA) from the University of Nairobi and a Bachelor of Arts Degree (Economics) from Kenyatta University. He is a Certified Public Accountant, CPA(K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).
- He is responsible for Financial Accounting, Management Accounting, Commercial and Insurance services and Asset Management functions.

CPA Geoffrey Kavate



•CS & GM, Board and Legal Services

- He holds a Bachelor of laws LLB degree from the University of Nairobi and a diploma from Kenya school of Law. He is an advocate of the High Court of Kenya and is a Certified Public Secretary Kenya, CPS (K) and a member of the Institute of Credit Management Kenya.
- He is also a former lecturer of School of Credit Management, a former Credit Officer at Co-operative Bank of Kenya and has served as a legal officer at Co-operative Bank of Kenya, Industrial and Commercial Development Corporation (ICDC), Agricultural Finance Corporation (AFC)
- He is the Board Secretary and oversees the Contracts & Conveyance department, Litigation & Disputes, Ethics & Integrity including Archives and Maritime Museum.

Turasha Kinyanjui



•GM, Cargo Operations

- He Holds a PhD in Economics specialising in Maritime Economics from the Moi university in Eldoret, Kenya. He also has a Master of Science Degree in Maritime Affairs with a bias in Port Management from the World Maritime University in Malmo, Sweden. He has also attended the African Development Programme and studied Container Terminal Operations course at the University of Montana, School of Business Administration in the United States of America.
- His docket includes all operations in the Container Terminal, Conventional Cargo, Kenya Ports Inland Container Depots in Nairobi and Naivasha and Logistics with a focus on overseeing, development and implementation of port cargo operations strategies and policies.

Dr. Sudi A.Mwasinago



MANAGEMENT TEAM (Cont'd)

•GM, Lamu port

- He holds a Master of Arts in Project Planning and Management from the University of Nairobi, a Bachelor of Science in Civil Engineering from the Jomo Kenyatta University of Agriculture and Technology. He also holds a Postgraduate in Program for Management Development from Strathmore University and Gordon Institute of Business Science, Diploma in Advanced Concrete Technology from the Institute of Concrete Technology in the UK and a Certificate in Concrete Technology from the Cement & Concrete Institute in South Africa. He's a Registered Consultant and Professional Civil Engineer with the Engineers Board of Kenya and a Fellow of the Institution of Engineers of Kenya.
- He has over Twenty-One (21) years of progressive professional experience in the construction industry, business planning and logistical management, corporate governance and has interpersonal skills gained through working with various organizations both in the public and corporate sector including but not limited to, Egis International / Kenya Consulting Engineers, Bamburi Cement Limited, Howard Humphreys East Africa Limited, Gibb Africa Limited and Norconsultant A.S. National Water Conservation and Pipeline Corporation.
- Eng Sidai has also reserved as Members of the Board of the National Water Conservation and Pipeline Corporation and Joint Secretary, National Concrete Pavements Steering Committee – Kenya.
- He is in charge of the Lamu port project.

Eng. Vicent S. Eseyepet



•GM, Human Resources and Administration

- He holds Masters in Business Administration (MBA) from Eastern & Southern Africa Management Institute (ESAMI) TZ and Maastricht School of Management, Bachelors of Education Arts (Kenyatta University), Higher National Diploma in Human Resources Management – KNEC, Kisumu Polytechnic.
- He has undertaken various professional training in Strategic Leadership Program, Quality Management Systems (KBS), Kenya Labour laws (IHRM), Human Resources Management and Development (ESAMI), Diploma in Marketing (Institute of Commercial Management) and in Management (University of Witwatersrand Johannesburg).
- He has vast experience in HR profession having served in various Government Ministries in different capacities namely; at the Directorate of Personnel Management and Ministry of State for Provincial Administration and Internal Security as the Principal Human Resources Management Officer and went on to work for the Ministry of State for Public Service on the same capacity and later joined Agricultural Finance Corporation (AFC) as the General Manager Human Resources & Administration and most notably as a Commissioner and Vice Chair at the Salaries and Remuneration Commission (SRC).

Daniel O. Ogutu, MBS, EBS



•GM, Supply Chain Management

- She is a certified supply chain practitioner with a Masters degree in Science of Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology, a Post Graduate Diploma from the Chartered Institute of Purchasing and Supplies UK (MCIPS) UK, and a Member of Kenya Institute of Purchasing and Supplies (MKISM).
- Her Docket includes procurement, procurement planning and inventory management.

Eveline I. Shigoli



•GM, Corporate Services

- He holds a Master of Business Administration and Bachelors of Commerce Degree (Marketing) both from the University of Nairobi, a postgraduate Diploma from the UK's Diageo Academy.
- He is in charge of Marketing (including Liaison offices of Uganda, Burundi & Rwanda), Corporate affairs (Corporate Communication, Media & CSR) and ICT.

Edward Kamau



MANAGEMENT TEAM (Cont'd)

•GM, Kisumu Port

- He holds a Master Mariner Certificate of Competency (UK), an MBA in Strategic Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and various professional qualifications including the Global Maritime Distress and Safety System General Operator's Certificate (GMDSS GOC-UK). He is also an Associate Member of the Nautical Institute (AFNI) UK, a member of the International Harbour Master's Association (IHMA) and has served as the chair of the Inter-Agency Committee comprising of Government Agencies working in the port and with stakeholders
- His docket includes all operations in ICD Kisumu.

**Captain William K. Ruto,
MNI**



•GM, Internal Audit & Risk Assurance

- He is a Certified Public Accountant (CPA- K) and a practicing member of the Institute of Certified Public Accountants Kenya (ICPAK).
- He is currently undertaking his PhD thesis in Business Administration (Finance Option) at the University of Nairobi. He has a Master's in Business Administration (Finance Option) and has a Bachelor of Commerce Degree (Accounting option). He is Certified Information Systems Auditor (CISA).
- He has over 25 years of professional experience in Auditing and Finance. He previously worked PKF Audit firm. He also possesses a wealth of experience in risk management, corporate governance, ISO quality management systems implementations and information systems audit.

Fredrick Oyugi



•GM, Corporate Research, Planning and Compliance.

- She holds an MSc Degree in Port Management from World Maritime University (WMU), Sweden and BSc in Math & Computer from JKUAT and SAP Consultant in Sales & Distribution Module. She holds a Diploma in Senior Port Management from Galilee College, Israel.
- She's a member of WOMESA (Association of Women in the Maritime Sector in Eastern and Southern Africa), former Chair of the Kenya Chapter between 2010 and 2016. First Woman Operations Manager of the Port Of Mombasa, both in Conventional and Container Operations, between 2008 and 2018.
- Her docket includes Corporate Research, Quality Assurance and Risk Management, and Safety, Health and Environment

Evelyn U. Mwamure



•GM, Engineering Services

- He holds a Master of Business Administration in Strategic Management from the University of Nairobi (UoN) and Bachelor of Science in Mechanical Engineering (UoN).
- He is a member of the Institution of Engineering Technologists and Technicians of Kenya (IET-K). He is also a Graduate Member of the Institution of Engineers of Kenya and Engineers Board of Kenya.
- He possesses vast experience in port handling equipment maintenance and project management spanning over 23 years.
- The Engineering Services department includes Marine Engineering, Container Terminal Engineering, Conventional Cargo Engineering and Engineering Projects and Inspection divisions.

Anderson M. Mtalaki, MIET-K



MANAGEMENT TEAM (Cont'd)

•GM, Ferry Services

- He holds a Bachelors degree in Education, a CPA (K), CPS (K) and also holds Diplomas in CIPS, IMIS and is currently pursuing an MBA.
- He is the immediate former MD of the defunct KFS Ltd. He has over fifteen years experience in Financial Management.
- He oversees the general operations and engineering services at the ferry services.

Bakari Gowa



•GM, Infrastructure Development

- He holds a Bachelors of Science degree in Civil Engineering from the University of Nairobi. He is a registered Engineer with the Engineers Registration Board of Kenya and a member of the Institute of Engineers of Kenya.
- His docket covers Civil Engineering, Project Development & Management and Port Electrical Engineering Departments.

Eng. Abdullahi Samatar



•Harbour Master and General Manager , Marine Operations

- He holds a Master Mariner Class 1 Unlimited (Egypt). A career Naval Officer, he has wide-range experience in port operations including pilotage, naval operations, marine & cargo survey, aids to navigation, oil terminal operations, marine conservation and port consultancy. He is also a ISM 9001:2015 code certified trainer.
- His docket, Marine Operations services includes pilotage, hydrography, marine pollution and fire and rescue services within Harbours of the commercial ports and small ports.

Captain Geoffrey O. Namadoa



CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT (Cont'd)

Introduction

It gives me yet another pleasure to present the Authority's Annual Report and Financial Statements for year ended 30 June 2022 as the Chairman to the Board of Directors after my reappointment by his Excellency the President of Kenya. The Kenyan economy exhibited resilience as it recovers from the Covid-19 pandemic and the economic ripple effects towards the forthcoming general elections.

Operational Performance

During the FY 2021/2022, the Port cumulatively handled total throughput of 33.619 million tons representing a decline of 2.5 million tons or 7% compared to 36.128 million tons handled in 2020/21. The performance was also below the forecasted target of 36.582 million tons by 9%. Similarly, total container traffic declined to record 1.404 million TEUs during the period under review compared to 1.459 million TEUs handled in the same period in 2020/21, posting a decrease of 55,050 TEUs or 3.8%. Transshipment containers also declined by 4.1% from 220,690 TEUs in FY 2020/21 to 211,534 TEUs in FY 2021/22. Transit traffic also declined by 8.3% to record 9.523 million tons during the period under review compared to 10.384 million tons handled in the previous FY 2020/21. The underperformance was mainly due to the slow economic recovery for the transit markets from the impact of Covid-19, resurgence of the pandemic and lockdowns causing disruptions in the supply chain. This was further fueled by the Russia-Ukraine war causing a ripple effect, a shortage in supply of major commodities, a surge in shipping freight charges, coupled with the uncertainty as the nation was heading to the general elections in August 2022, which further exerted pressure in maritime trade.

Dividends

The directors recommend a dividend payout of KES 576.7 million which is 7.5% of the profit after tax to the National Treasury in line with the dividend policy.

Corporate Social Investment

The Authority is committed to providing solutions to the benefits of the society and therefore CSI is an integral part of our business. 'Care' is one of our core values because we care for our staff, the communities around us and are sensitive to the environment within which we operate.

The Authority's CSI Policy is rooted in the Authority's values, guided by international standards and best practices that are driven by the spirit of excellence in overall performance of business.

The Authority's various CSI initiatives were aimed at impacting positively on the lives of communities within and beyond the Coast region. These CSI activities were mainly focused on sports, education services, religious initiatives, charity events, humanitarian Aid and relief, response to distress calls and various community projects.

Future Outlook

The Authority continuously improves its services and invests in infrastructure development and capacity expansion programs to enhance capacity, improve competitiveness and support the Government's development agenda. The development of Phase II of the Second Container Terminal, the KOT relocation, development of the SEZs in Dongo Kundu and port infrastructure developments are undertaken to ensure that the Authority is better placed to offer world class port services to its customers.

CHAIRMAN'S STATEMENT (Cont'd)

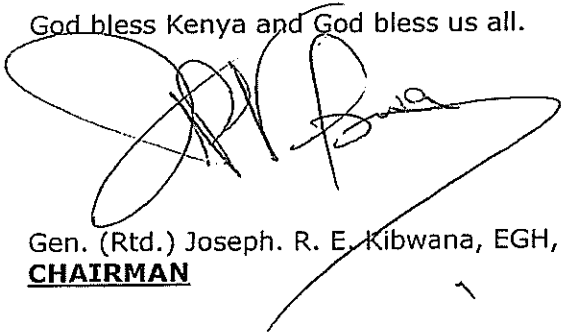
Liwatoni Floating Pedestrian Bridge

The Liwatoni Floating Pedestrian Bridge (LFPB) is a Government initiative in response to COVID-19 pandemic and human congestion at the Likoni Ferry. The foot bridge spans about 1.2km and links Mombasa Island to the South Coast. The bridge is operated by the Authority on a twice daily schedule set to minimize conflict between vessels crossing and pedestrian movements. On average, the Floating Bridge is used by a total of 140,000 pedestrian daily.

Conclusion

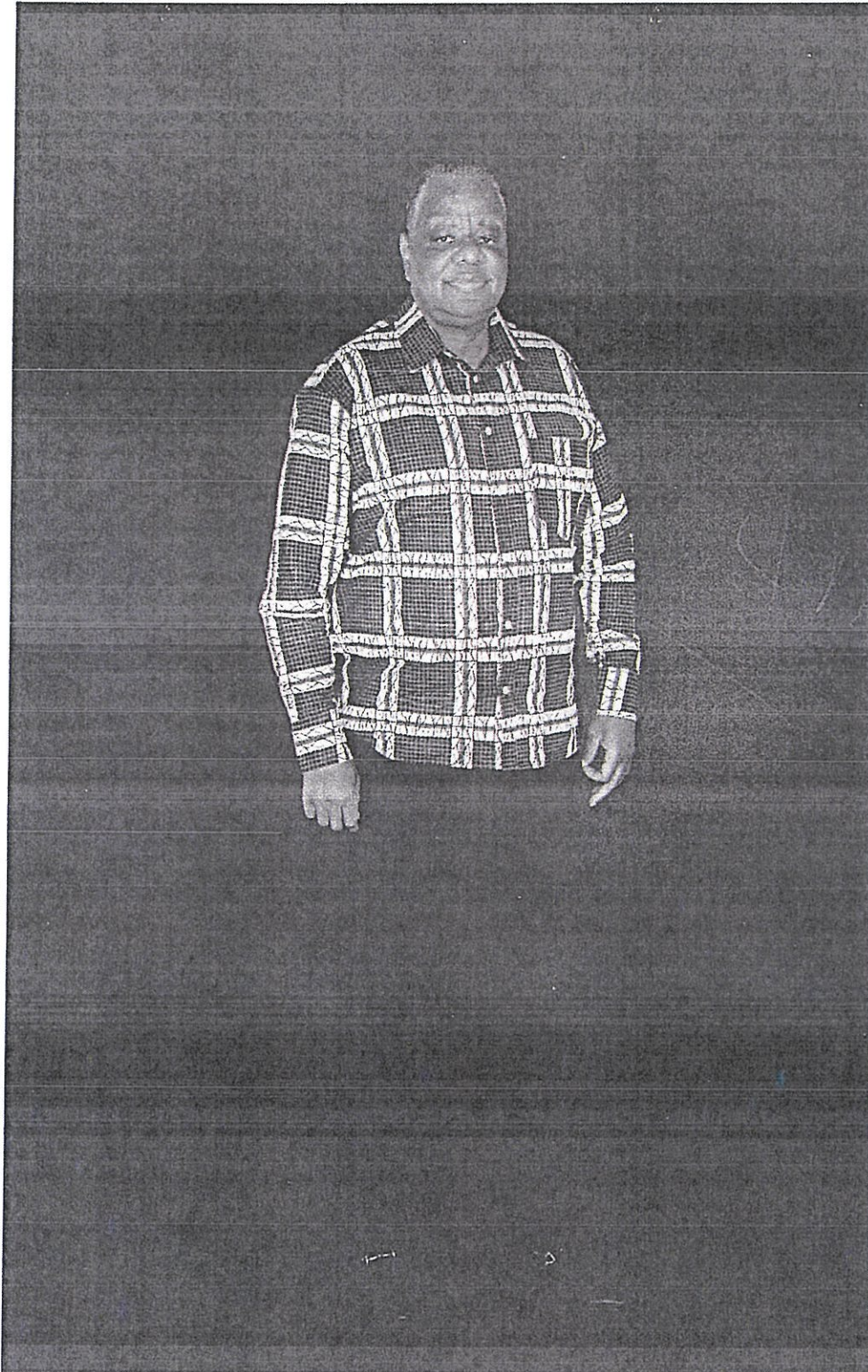
Finally, I take this opportunity to thank my colleagues in the Board and the management team for their considerable contribution. I also commend staff for working tirelessly to achieve the level of business growth that we have witnessed despite the challenges that came with the Covid 19 Pandemic. Equally, many thanks to the Government, our stakeholders, and the community for their support. I am confident that we will continue to do our very best to attain and surpass the targets set for the new financial year. Let us remain united in our journey to world class ports of choice. Together we make the economy!

God bless Kenya and God bless us all.



Gen. (Rtd.) Joseph. R. E. Kibwana, EGH, CBS
CHAIRMAN

MANAGING DIRECTOR'S PORT REVIEW



MANAGING DIRECTORS'S PORT REVIEW (Cont'd)

Introduction

It gives me yet another pleasure to present the Authority's Annual Report and Financial Statements for year ended 30 June 2022 as the acting Managing Director. The Kenyan economy exhibited resilience as it recovers from the Covid-19 pandemic and towards the August 2022 general elections.

Financial Performance

The Authority realized total revenues (including Finance Income and other gains) amounting to KES 51,359 million during the year under review compared to KES 53,521 million in FY 2020/2021, which represents a decline of KES 2,162 million or 4.04%. In terms of expenditure, the Authority recorded Total expenditure amounting to KES 40,077 million compared to KES 39,703 million recorded during the last FY, resulting to an increase of KES 374 million.

PBT decreased by KES 2,536 million or 18.35 % from KES 13,818 million to KES 11,282 million. The Authority maintained a healthy Financial Position with an Asset base of KES 338,404 million up from KES 304,216 million last FY.

Risk Management

The Authority maintains a sound risk management and internal control system that determines the nature and extent of the risks to take in pursuit of the strategic objectives. The Risk Management Committee reviews the risk management framework to ensure that it readily identifies key risks and strategies to mitigate them.

All business units have developed risk registers, based on a standardized risk management methodology to identify, assess and monitor the key risks faced by the business. Information on the efficacy of the risk treatment plans, trends, direction of risk over time, is provided in relation to each risk on a quarterly basis. The identified risks are assessed in terms of their impact and likelihood. Mitigation plans are put in place to manage the risks identified and exploit the attendant opportunities. Risk Management is factored in the day-to-day processes thereby informing sound decision making.

Operational Performance

Over the past five years, the port has steadily grown with a compound annual growth rate of 2.3 percent from 30.702 million tons in FY 2017/2018 to 33.619 million tons in FY 2021/2022. During the period under review, Container traffic registered 1.404 million TEUs compared to 1.22 million TEUs handled in FY 2017/2018 representing an annual growth of 3%. To stay ahead of demand in providing efficient and competitive port services, the Authority has increased container yard capacity by 450,000 TEUs with completion of Berth 22 bringing the total container yard capacity to 2.1 million TEUs at the Port of Mombasa.

Investments and Strategic Plan

The Authority is alive to the dynamic key trends in the global ports and maritime industry, and we must keep abreast with the changes to remain competitive.

The Shipping industry has brought about innovations and new inventions such as ships sizes having grown, smart and green port operations, sustainable infrastructure development, private sector participation, creation of hubs and matters of cooperation as opposed to competition.

MANAGING DIRECTORS'S PORT REVIEW (Cont'd)

Investments and Strategic Plan (Cont'd)

The KPA strategic plan 2018-2022 was developed with a focus on the customer and thus we concentrate on strategic investments to modernize existing facilities in tandem with future industry demands. This entails developing new port infrastructure, acquisition, and modernization of equipment, and devising innovative ideas to improve and sustain efficiency.

Projects are prioritized based on the following key considerations

- Realignment to Vision 2030 and the 3rd Medium Term Plan (MTP 111)
- Alignment to the sustainable Development Goals (SDGs)
- Improving KPA's core services to the customer
- Alignment to the "BIG FOUR" National Agenda, earmarked for implementation namely;
 - Food Security
 - Affordable Housing
 - Manufacturing, and
 - Access to Universal Healthcare.

Second Container Terminal

Construction of the Second Phase of the Second Container Terminal which consists of construction of Berth No. 22 (300 meters and 350 meters deep) has been completed giving the Port of Mombasa an additional annual capacity of 450,000 TEUs.

Relocation of Kipevu Oil Terminal (KOT)

To create additional handling capacity, the Authority embarked on the project to relocate the KOT to a safer location with capacity to handle post panamax vessels. The new modern and bigger oil terminal consisting of four Berths will be able to handle bigger vessels of up to 17,000 DWT. The facility is complete and commissioned and will be able to handle four bigger tankers at once and serve LPG needs. It will improve the capacity and efficiency of handling energy products.

Lamu Port Project

In May 2021, Berth one of the Port of Lamu was operationalized. The Authority has provided equipment and staff to support operations of the new Port. The remaining two berths of the first phase have also been completed creating a total capacity of 1.2 million TEUs and 13.5 million MTs. Business is expected to slowly but gradually pick up. The original strategy was to have the operation of the first three berths undertaken by the private sector.

Tug Mwokozi II

The Authority took delivery of Tug Mwokozi II, a new state of the art ASD Salvage/Harbor tug from Turkish builder Med Marine. Equipped with excellent maneuverability and packing a heft bollard pull, the vessel will deliver enhanced towing and ship handling services in the waters of East Africa and the entire western Indian Ocean seaboard. Boosting its standing as a leading port along the Western Indian Ocean Seaboard.

MANAGING DIRECTORS'S PORT REVIEW (Cont'd)

Investments and Strategic Plan (Cont'd)

Kipevu Road

The project entailed the expansion of Kipevu Road from Gate 18 to Changamwe Roundabout into six lanes with provision for pedestrian walkways.


The completed road has improved the speed of evacuation of cargo and reduced congestion at the gates while reducing the turnaround times

Conclusion

The Authority continues to develop new port infrastructure, acquire, and modernize its equipment and devise innovative ideas that will improve and sustain efficiency. We continue to rely on our Human Resources to attain the set goals and targets.

I thank our customers, the Board of Directors, our dedicated and talented staff for their support as well as their effort in making sure the Authority achieves its goals and objectives.

I also appreciate our service providers, the national & regional Governments, and all other stakeholders for their respective contributions to the Authority during the year. I look forward to continued support as we strive to transform Mombasa Port to the port of choice in East and Central Africa.



Amb. John Mwangemi
Ag. MANAGING DIRECTOR

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

The Authority has 4 strategic themes and 5 strategic objectives within the current Strategic Plan 2018-2022. The Strategic Plan 2018-2022 defines the Authority's Vision to be "World Class Ports of Choice", and Mission to "Provide Efficient and Competitive Port Services to Facilitate Global Trade". The strategic plan is anchored on vision 2030, the 3rd medium Term Plan, the Big 4 agenda, among other policy documents. Working towards realization of the vision and mission, the Authority's strategic model is premised on four Strategic themes. These strategic themes are as follows:

1. Theme 1: Operational Excellence
2. Theme 2: Customer Service Excellence
3. Theme 3: Business Growth
4. Theme 4: Good Governance

The five (5) key Strategic Objectives addressing the stated themes above.

1. Improve Port Services
2. Improve Customer Satisfaction
3. Sustain Business Growth
4. Improve Labour Productivity
5. Enhancing Risk Management and Environmental Sustainability

The Authority develops its annual work plans based on the above Five (5) strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The actual performance compared to the targets set for the FY 2021/2022 for the 4 strategic pillars are summarized below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Remarks
Operational Excellence	Improve Port Services	Ship Turnaround time (Hrs.): Target: 56 Actual: 77.8 Truck turnaround time (Hrs.): Target: 3.5 Actual: 6.5 Crane productivity (Moves per hour): Target: 21 Actual: 17.7 Gross Train Productivity (Moves per train per hour) Target: 33 Actual: 32	Strategy 1: Improve and integrate ICT systems and infrastructure	There was a delay in progressing the tender process due to inadequacy of funds.
			Strategy 2: Invest in research, development, and innovation	Public service innovation initiatives undertaken
			Strategy 3: Enhance port capacity	Completion of First 3 berths at Lamu and MPDP Phase II
			Strategy 4: Enhance safety and security	Integrated Security system implemented in Mombasa and the ICDs
Customer Service Excellence	Improve Customer Satisfaction	Customer Service Index (%): Target: 67 Actual: 71 Compliance to Service Charter (%): Target: 100% Actual: 100%	Strategy 1: Improve Customer Experience	KPA Mobile Application developed and deployed to Google Play store
			Strategy 2: Promote Ethical Culture in the Organization	Ethics and Integrity periodic sensitization to staff done.

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
(Cont'd)**

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Business Growth	Sustain Business Growth	Port Throughput (Mn Dwt): Target: 36.5 Actual: 33.6 Container Traffic (Mn TEUs): Target: 1.51 Actual: 1.40 Profits before Tax (KES Mn): Target: 11,270 million Actual: 11,282 million	Strategy 1: Increase Throughput	KPA Marketing strategy 2018-2022 under implementation
			Strategy 2: Increase Revenue	The cruise terminal construction was completed but is yet to be operationalized
			Strategy 3: Minimize Costs	90% of manual processes and operations automated to curb revenue leakages
			Strategy 4: Support Blue Economy Initiative	Construction of Shimoni Port underway
Good Governance	Improve Labour Productivity	Percentage of workforce meeting performance standards (%): Target: 100 Actual: 66 Number of Industrial Disputes: Target: 0 Actual: 0	Strategy 1: Enhance Employee Accountability	All management staff have been put under performance management System.
			Strategy 2: Enhance Employee Competence	Skills gap analysis done for staff.
			Strategy 3: Improve Work Environment	The old appraisal system was reviewed and improvements done through automation
	Enhance Risk Management and Environmental Productivity	Compliance to Environmental Audits (%): Target: 100 Actual: 70 Corruption Perception Index Target: <4 Actual: 4.15	Strategy 1: Improve Internal Governance Processes	Corruption surveys and periodic sensitization of staff
			Strategy 2: Implement Enterprise Risk Management system	Risk Management has been adopted across the entire organization through profiling of risks, documenting, monitoring, and reporting
			Strategy 3: Improve Environmental Management	Adoption and implementation of green port initiatives.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Board Meetings

During the year under review, the Authority had 5 regular Board meetings, 4 Special Board meetings and 1 Strategic Board meeting with several meetings of the Committees of the Board.

Director Name	Designation	Full Board/Special		Strategy Meetings		Finance & Asset		Operations		Audit & Risk		Human Resource	
		No. of Mtgs	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended	No. of Mtgs attended
Amb. John Mwangemi	Ag. MD	5	(2 Regular)	1	1	3	2						
		4	(4 Special)										
Conrad Thorpe	D	5	(2 Regular)	1	1					3	3	2	2
		4	(4 Special)										
Prof. Dulacha Galgallo	AD (NT)	5	(2 Regular)			3	3	2	2	3	3	2	1
		4	(3 Special)										
Darius Mobe	D	5	(3 Regular)	1	1			2	2			2	1
		4	(4 Special)										
Lydia Yator	D	5	(4 Regular)	1	1							2	2
		4	(4 Special)										
Nilfat K Ali	D	5	(4 Regular)	1	1	3	2					2	2
		4	(3 Special)										
Farida A. Soud	D	5	(4 Regular)	1	1	3	3	2	2			2	2
		4	(3 Special)										
Stephen G. Gichuhi	D	5	(4 Regular)	1	1	3	3	2	2				
		4	(4 Special)										
Dr. Eng. Joseph Njoroge	D	5	(1 Regular)	1	1	3	3	2	2				
		4	(0 Special)										
Beatrice Nyamoita	AD MoTIHUD	5	(4 Regular)	1	1	3	3	2	2	3	3	2	2
		4	(4 Special)										
Oscar Eredi	AD AG	5	(3 Regular)	1	1								
		4	(4 Special)										
Eng. Phillip Mainga	MD KRC	5	(1 Regular)	1	1								
		4	(1 Special)										
Delliah Ngala	D	5	(1 Regular)										
		4	(1 Special)										
Festus King'ori	AD NT	5	(1 Regular)										
		4	(2 Special)										

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Compliance with Mwongozo Code

The Authority has endeavored to comply with the Mwongozo Code of Governance for State Corporations in the discharge of its mandate through the Board. It is however recognized that the code will be implemented on a 'comply or explain' basis and organizations will be allowed time to fully comply at a pace that is realistic in their circumstances and to learn from the experience of others. The Authority discloses the following instances of noncompliance; -

- a) Competitive recruitment of Board members: The Authority is not privy to any interview process undertaken by the Cabinet Secretary in appointment of Board Directors. The power to appoint is vested in the Cabinet Secretary and this remains a policy issue.
- b) Governance Audits: The Government policy requires that governance audits to be undertaken by States Corporation Advisory Committee. However, SCAC has not yet rolled out this exercise. They have indicated that they are still training and compiling list of accredited Governance Audit Auditors and thereafter roll out the same. The proposal is to outsource due to capacity constraints.
- c) Succession Plan: Board has not formalized the succession plan but has in place a structure that ensures business continuity in the absence of the Chief Executive Officer where any of the General Managers can perform the duties of the office of the Managing Director.

Board Remunerations

The non-executive Board members are paid sitting allowances of KES 20,000 for every meeting attended as provided by GoK circulars. Director's fees are paid to directors subject to approval by the National Treasury and Planning. Non-executive Board members not representing any Government institutions are paid Directors' fees directly while Directors' fees for those representing the Government and/or its institutions are paid to the Cabinet Secretary, National Treasury as a body corporate. Directors' fees of KES 600,000 per annum or pro rata for any part served thereof, for each eligible Director has been provided for. The Authority granted no loans to its directors during the year. The Directors' remuneration has been disclosed under note 8 of the financial statements. No bonuses were paid to the Directors during the year. The Directors are also provided with personal insurance cover.

Directors' External Activities and Conflict of Interest

Directors have a statutory duty to avoid situations in which they have interests which may conflict with the interests of the Authority. A conflict-of-interest register is signed at every meeting and any emerging interest recorded.

Board Structure

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations as guided by the State Corporation Act Cap 446, section 9, and Mwongozo Code of Conduct Chapter 1 Section 1.7. These committees assist the board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management. The Board has determined the purpose and the number of committees required to support it in carrying out its duties and responsibilities and in guiding Management. These committees have been established with specific terms of reference, which are continually reviewed and updated

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Board Structure (cont'd)

The appointment of members to these committees draws on the skills and experience of individual directors. The role played by board committees forms the principal point of contact between the Directors and Management. Constitution of the Committees are also rotated from time to time.

The Mwongozo Code of Conduct further provides for the establishing of not more than four committees of the Board and for the Authority these are namely; Finance & Assets Committee, Audit & Risk Committee, Human Resources Committee and Strategy & Operations Committee. All committees have at least four non- executive directors as members. The chair of the committees is a non- executive director. The chairman of the Board does not sit in any of the committees.

At every meeting of the full board, the chair of each committee presents a report on its activities, decisions, and recommendations of their respective committees since the date of the previous meeting for further consideration and approval where necessary. Details of the committees are given below:

- **Finance and Assets Committee**

The core functions of the Finance and Asset Committee is to ensure that the undertakings of the Authority are operated efficiently, according to sound commercial principles in accordance with Part V and VI of the KPA Act 1978.

Director		Meetings		% Attendance
		Held	Attended	
Farida A. Soud	Chairperson	3	3	100%
Nilfat K. Ali	Member	3	2	66.7%
Stephen G. Gichuhi	Member	3	3	100%
Beatrice Nyamoita	Member	3	3	100%
Prof. Dulacha B. Galgalo	Member	3	3	100%

- **Strategy & Operations Committee**

The Committee focuses on ensuring that productivity is maintained according to international standards. It also identifies obstacles that may hamper smooth operations and formulates policies on improvement of port performance. It also focuses on the implementation of the Authority's Strategic Plan and any emerging challenges and makes recommendations to the Board.

Director		Meetings		% Attendance
		Held	Attended	
Darius Mobe	Chairperson	2	2	100%
Stephen G Gichuhi	Member	2	2	100%
Farida A Soud	Member	2	2	100%
Beatrice Nyamoita	Member	2	2	100%
Prof. Dulacha B. Galgalo	Member	2	2	100%
Eng. Phillip Mainga	Member	2	-	-
Oscar Eredi	Member	2	1	50%

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

• Human Resources Committee

The committee reviews the Human Resources policies and procedures and ensures that they support the strategy of the Authority. It ensures that the Authority maintains a policy of providing remuneration packages that fairly reward staff for their contribution to the business, whilst considering the need to attract, retain and motivate staff of the highest caliber. The committee also ensures successions plans are in place for senior managers of the Authority.

Director		Meetings		% Attendance
		Held	Attended	
Nilfat K Ali	Chairperson	2	2	100%
Darius Mobe	Member	2	1	50%
Conrad Thorpe	Member	2	2	100%
Lydia Yator	Member	2	2	100%
Beatrice Nyamoita	Member	2	2	100%
Prof. Dulacha B. Galgalo	Member	2	1	50%
Oscar Eredi	Member	2	2	100%

• Audit and Risk Committee

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the board. To this end, the committee reviews the accounting policies financial reporting and regulatory compliance of the Authority. The committee also continually evaluates the effectiveness of risk management programs. The committee receives reports of the Internal and External Auditors and management's corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal audit function's activities and oversees the alignment of risk management programs and internal audit activities. The committee reviews all key internal audit reports and has regular direct access to the Head of Internal Audit and Risk Management.

Director		Meetings		% Attendance
		Held	Attended	
Conrad Thorpe	Chairperson	3	3	100%
Lydia Yator	Member	3	3	100%
Prof. Dulacha B Galgalo	Member	3	3	100%
Beatrice Nyamoita	Member	3	3	60%
Oscar Eredi	Member	3	3	80%
Eng. Phillip Mainga	Member	3	-	-

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Board and Committee Evaluation results;

Name	Position	Term		Raw Score	% Score
		Start	End		
Amb. John Mwangemi	Ag.MD				
Conrad Thorpe	Member	06/10/2021	05/10/2024		
Darius Mobe	Member	06/10/2021	05/10/2024		
Lydia Yator	Member	06/10/2021	05/10/2024		
Nilfat K Ali	Member	24/11/2020	23/11/2023		
Farida A Soud	Member	06/10/2021	05/10/2024		
Stephen G Gichuhi	Member	06/10/2021	05/10/2024		
Beatrice Nyamoita	Alt. Member	-	-		
Oscar Eredi	Alt. Member	-	-		
Festus King'ori	Alt. Member	-	-		
Chrisologous Makokha	INSP.CORPS	-	-		
Corporate Board Performance					

Board Trainings

The trainings conducted for the Directors and their attendance is as below;

Audit & Risk Comm. Induction Workshop	Training on 30th & 31st March, and 1st April, 2022, at Vipingo Ridge Golf & Spa, in Kilifi County.
	In Attendance; Director Conrad Thorpe, Director Lydia Yator, Director Nilfat K Ali, Director Farida A Soud, Director Stephen G Gichuhi, Alt. Director Prof Dulacha B Galgalo, Alt. Director Beatrice Nyamoita, Alt. Director Oscar Eredi, and Insp. Chrisologous Makokha.
5-day Residential Course for Directors under auspice of Corporate Governance	Training from 4th to 8th April, 2022, held at the Leopard Beach Hotel & Spa, South Coast, Diani.
	In Attendance; Director Lydia Yator, Director Nilfat K Ali, Director Farida A Soud, Director Stephen G Gichuhi, Alt. Director Beatrice Nyamoita, Alt. Director Oscar Eredi.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Process of appointment and removal of directors, roles, and functions of the Board

The KPA Act vests the mandate to appoint members of the Board in the CS Ministry of Transport. The KPA Board of Directors comprises 11 members out of which Seven (7) are independent Directors, well above the 1/3 requirement. The MD KPA is also a member of the Board in tandem with the Mwongozo Code of Governance and the KPA Act. The composition of the Board has met the parameters of Article 27 of the CoK 2010 regarding equal opportunities. Out of the 7 independent directors, three (3) are female. It has also captured a diversity of skills and competencies required for the achievement of the organization's long-term goals, as evidenced by the Director's data submitted herein.

Removal of directors is guided by the provisions of the State Corporations Act. The power to appoint also envisages the inherent power to remove or fire, and as long as the power to appoint is vested in the CS, members of the Board can only recommend removal.

The Independent directors are not in the service of the National or County Governments and do not hold positions in more than two state corporations.

Management Committees

A significant factor in the Authority's success is the strength of the Management team. Members of the Management team bring together vital leadership skills and extensive maritime trade experience from both local and international exposure. To harness their strength, the Managing Director has established the EXCOM. This committee meets regularly and at least monthly to discuss strategy formulation and implementation, policy matters and financial performance.

It is also responsible for ensuring compliance with the regulatory framework and guidelines and adherence to the Authority's policies and procedures. The committee also serves as the link between the board and management. The Managing Director has also established other standing committees to execute various mandates and to support the EXCOM in realization of its objectives. Some of the committees include Information Technology Steering Committee, Port Productivity Committee, Change Management Committee, Corporate Training committee, Tariff Committee among others.

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Ethics and Integrity Statement

The Authority is committed to promotion of good Corporate Governance as envisaged in KPA strategic plan. The Authority has in place an Ethics and Integrity policy that is posted on its website. Staff and Clients are invited to interact with the Ethic and Integrity policies posted on the website when confronted with any ethical dilemma or to contact Ethics and Integrity office.

Additionally, unethical corrupt practices or public complaints are reported through the following dedicated email address; stopcorruption@kpa.co.ke and PublicCOMplaints@kpa.co.ke

During the year, the Authority not only implemented activities that impacted on improving ethical climate within the organization but also ensured compliance with PC indicators by coordinating corruption prevention, mainstreaming of national values and management of public complaints and access to information.

The Authority has in place corruption prevention committees' and has developed Ethics and Integrity Risk Assessment registers for various business units including the following areas for EACC reporting.

- a) Core Mandate of the Organization.
- b) Information Communication Technology.
- c) Payroll Management; and
- d) Procurement and Financial Management.

Staff training and sensitization were conducted as part of implementation of ethical risk mitigation measures and performance contracting obligations. The sensitization included Port wide sensitization on general ethics and integrity, conflict of interest management, anticorruption and whistle blowing policies where a total of 2,174 staff were reached.

On promotion of National Values, the Authority filed annual national values implementation report with the Directorate of National Cohesion and Values. A total of 1,013 members of staff were sensitized including newly employed dockers on the National values and Principles of Good Governance. Additionally, 506 staff members were sensitized on public complaints and public complaints champions nominated from operational areas.

A total of 17 reports were received by the Ethics and Integrity Department all of which were marked for review. The table below indicates the nature of cases received.

No.	Category	Frequency
1	Corruption/fraud	12
2	Maladministration	4
3	Conflict of interest	1
Total		17

STATEMENT OF CORPORATE GOVERNANCE (Cont'd)

Ethics and Integrity Statement (Cont'd)

A number of advisory opinions were issued to the management as a measure of managing ethical risks in the business units. The table below indicates the nature and number of advisories issued.

No.	Business unit	Frequency
1	Supply Chain Management	25
2	Operations Services	1
3	Human Resource management	2
4	Conflict of Interest	1
Total		29

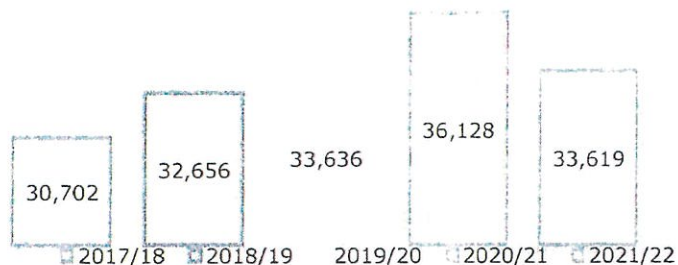
The Authority is adopting a nurturing pro-ethics business climate as it pursues its mandate of strengthening our corporate ethical culture. The following milestones were achieved in the journey of improving governance and strengthening integrity.

- i. System examination review for Marine engineering and ICDN
- ii. Developed the following draft policies
 - a) Access to information policy
 - b) Gift and entertainment policy
 - c) Board charter

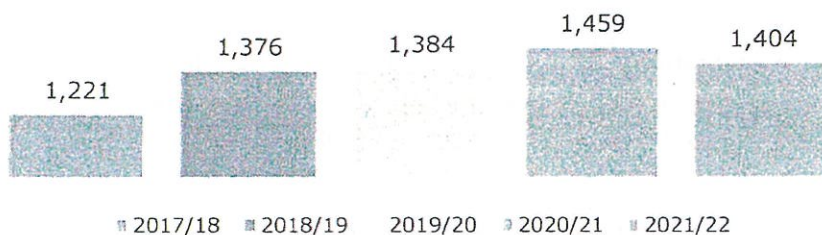
The Approach is consistent with ISO-37001, which the Authority is working towards and will enhance good corporate governance.

THE YEAR IN REVIEW

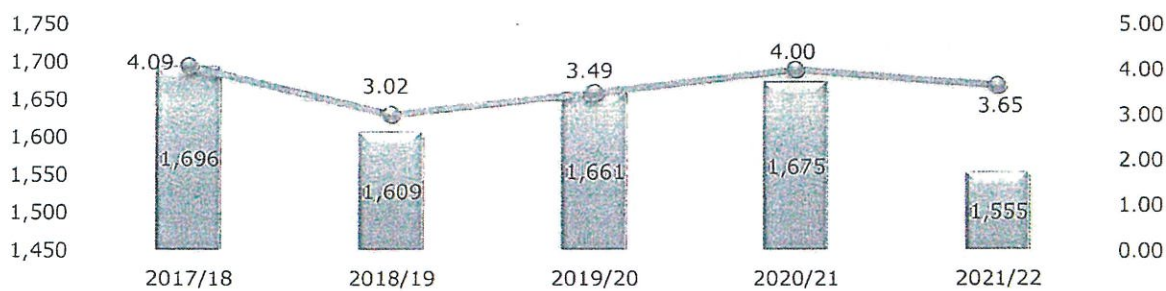
Throughput (MT'000)



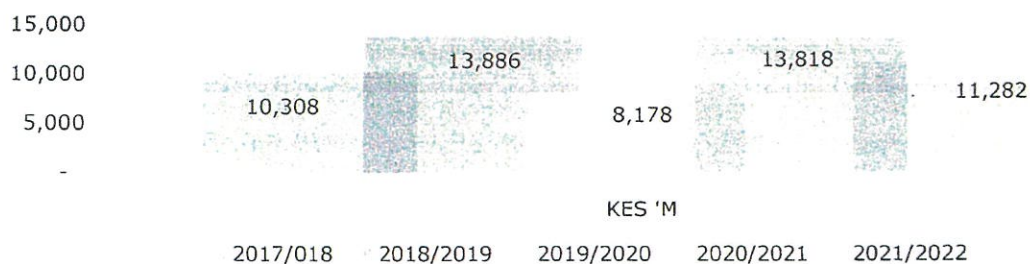
Container traffic (TEUs) in '000



No. of Vessel calls & Ship dwell time (Days)



Profit Before Tax



THE YEAR IN REVIEW (Cont'd)



A new state of the art ASD Salvage/Harbour Tug Mwokozi II was acquired from Turkish builder Med Marine. The vessel has more than 120 tonnes of bollard pull, boasting the country image as the most powerful salvage and harbour tug in service off the coast of East Africa.



At the close of the year all functions and transactions of the ferry services and the Liwatoni Floating Pedestrian Bridge were reported under KPA. The foot bridge spans about 1.2km and links Mombasa Island to the South Coast. The bridge is operated by the Authority on a twice daily schedule set to minimize conflict between vessels crossing and human congestion at the Likoni Ferry. On average, the Floating Bridge is used by at least 140,000 pedestrian daily.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE

1.0 Introduction

Management wishes to present an analysis of the Authority's financial performance for the period ending 30 June 2022.

Performance Summary Overview

	Actual	Budget	Actual Vs Budget	Actual	Actual Vs. Actual
	July-June 2021/22	July-June 2021/22	% Variance	July-June 2020/21	% Variance
Throughput (MTs '000)	33,619	36,582	-8%	36,128	-7%
Total Revenue – KES 'M')	51,359	54,953	-7%	53,521	-4%
Total Cost (KES 'M')	40,077	43,784	9%	39,703	-1%
PBT (KES 'M')	11,282	11,169	1%	13,818	-18%
Asset Base (KES 'M')	338,404	348,823	-3%	304,216	11%

Table 1: summary of the actual performance on throughput, revenue, expenditure, and profit.

After rebounding in 2021 the Global growth contracted in 2022. Several shocks have hit a world economy already weakened by the Covid pandemic: higher-than-expected inflation worldwide, further COVID-19 outbreaks and lockdowns in China; and negative spillovers from the war in Ukraine. According to the IMF, the baseline forecast for growth slowed from 6.1 percent in 2021 to 3.2 percent in 2022. This is as a result of the Russia-Ukraine war and Inflationary tendencies brought about by increased global prices of commodities.

The economic recovery in sub-Saharan Africa was on the upside in the second half of 2021, prompting a significant upward revision in 2021 estimated growth, from 3.7 to 4.5 percent. This year, however, that progress has been jeopardized by the Russian invasion of Ukraine which has triggered a global economic shock that is hitting the region. Most notably, surging oil and food prices are straining the external and fiscal balances of commodity-importing countries and have increased food security concerns in the region.

In the transit markets the economic recovery is expected to continue at a slower rate. Following the improved momentum in the services and trade, the improved geopolitical pressure between Uganda and Rwanda and the joining of the Democratic Republic of the Congo through the East African Community.

Kenya showed remarkable resilience to the COVID 19 shock in 2020 and saw accelerated overall GDP growth of 5.9% in 2021. The Kenyan economy is projected to decelerate to 5.7% in 2022. The year-on-year inflation rate increased to 7.9 percent in June 2022 from 6.3 percent in June 2021 mainly due to higher food and fuel prices. Uncertainties stem from the war in Ukraine, continuing drought in the semi-arid regions, unsettled global financial market conditions and the political calendar.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

Against the backdrop of slower global and regional economic growth, Kenya Ports Authority recorded major decline in revenue compared to that reported in FY2020/2021 and it was below budget too. The main driver was the decreased throughput handled in the year especially the bulk and conventional cargo.

The overall cost increased marginally compared to last year but was significantly below the budget. The austerity measures implemented in the year on several votes was the main driver for cost containment.

The decrease in profitability compared to last year was mainly driven by decreased throughput in the high margin cargo categories, particularly bulk cargo, and conventional cargo. However, the profit is marginally higher compared to budget as result of cost reduction mentioned above.

The asset base was lower compared to budget mainly due to slower implementation of resettlement of affected persons for Dongo Kundu project and the lengthy process of acquiring Lamu Port Equipment.

2.0 Throughput Overview

During the FY 2021/2022, the Port handled total throughput of 33.6 million MTs representing a decline of 2.5 million MTs or -7% when compared to 36.1 million MTs handled in 2020/21 as shown in the table below. It is important to note that all categories of cargo recorded a decline in growth except Liquid Dry Bulk which recorded a positive increase of 3.3%. Dry Bulk conventional and Container segments posted negative results of -22.8%, -15.5% and -1.9% respectively. The main driver for the drop in the dry bulk is lower import of clinker while conventional cargo drop is driven by lower imports of iron and steel

Total throughput was below the set target of 36.5 million MTs by 2.9 million MTs or -8%.

Throughput Traffic (MT) FY2021/2022 against FY2020/2021

Type of Cargo	2021/22	2020/21	Volume Change	Growth %
Non - Container				
Dry Bulk	7,019,969	9,096,348	-2,076,379	-23%
Liquid Bulk	8,926,009	8,642,777	283,232	3%
Conventional	2,276,666	2,693,978	-417,312	-15%
Sub- Total	18,222,644	20,433,103	-2,210,459	-11%
Containerized	15,396,071	15,694,946	-298,875	-2%
TOTAL	33,618,715	36,128,049	-2,509,334	-7%
Import/Export				
Imports	26,504,554	29,028,616	-2,524,062	-9%
Exports	4,582,754	4,505,873	76,881	2%
Transshipment	2,423,236	2,477,550	-54,314	-2%
Restows	108,171	116,010	-7,841	-7%
TOTAL	33,618,715	36,128,049	-2,509,334	-7%
Set Target 2021/22		36,582,000	-2,963,287	-8.80%

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

Non-Containerised cargo recorded a decline of 2.2 million MTs or -11%.

Containerised cargo also reduced to 15.4 million MTs compared to 15.7 million MTs recorded in the previous year, a decrease of 0.3 million MTs or -2%. The decrease was on imports, transshipment and restows cargo.

Performance overview by broad categories is shown below:

- **Imports:** declined from 29 million MTs in the period 2020/2021, to 26.5 million MTs in the current period representing a decrease by 2.5 million MTs or -9%.
- **Exports:** recorded an increase from 4.5 million MTs in the period 2021/2022 to 4.5 million MTs recorded in the current period, representing a volume increase of 76,881 MTs or 2%.
- **Transshipments:** recorded a decrease in volume posting 2.42 million MTs of cargo in the period compared to 2.47 million MTs handled in the corresponding period in 2020/2021 reflecting a decrease by 54,314 MTs or -2%.

3.0 Revenue Overview

3.1 Revenue Performance

Revenue performance during the current period recorded KES 51,359 million compared to KES 53,521 million recorded last year. This reflected a decrease by KES 2,162 million or -4%. The performance was also lower than the budgeted figure of KES 54,274 million by KES 2,915 million.

Operating revenue declined to KES 49,339 million from KES 52,130 million recorded in the previous year, a decrease of KES 2,791 million or -0.05%. This correlates with the throughput decrease of -7% compared to FY2020/2021.

The decline in revenue was mainly driven by decrease in imports, transshipment and restows. With significant drop in conventional cargo and dry bulk categories. The revenue is expected to increase as economic activities recover from pandemic and other political activities.

The performance was below the budget as the volume dropped in the period due to improved efficiency at the ICD that has led to reduced revenue from storage and re-marshalling.

Marine revenue performance was below the budget resulting to unfavourable variance. The performance was also lower than last year This is driven by reduced number of vessels handled from 1,675 in Fy2020/2021 to 1,555 in Fy2021/2022.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

	FY 2021/2022	FY 2020/2021
TYPE	NO. OF VESSELS	NO. OF VESSELS
Barge	20	16
Bulk	264	326
Car Carrier	124	139
Container	497	560
Fishing	78	86
Gen Cargo	171	117
Passenger	5	2
Roro	38	41
Tanker	209	221
Tug	35	30
Naval	13	8
Others	101	129
TOTAL	1,555	1,675

4.0 Total Expenditure KES 40,077 million Expenditure Performance Overview

Expenditure recorded during the period under review was KES 40,077 million. This was below the budgeted figure of KES 43,784 million resulting to a favourable variance of KES 3,707 million or 9%. It was higher than last year's expenditure of KES 39,703 million by KES 369 million or -1%.

Expenditure on overtime, repairs, spares, and activities impacted by Covid-19 like ASK shows, KECOSO had favourable variance compared to the budget and the previous year's expenditure.

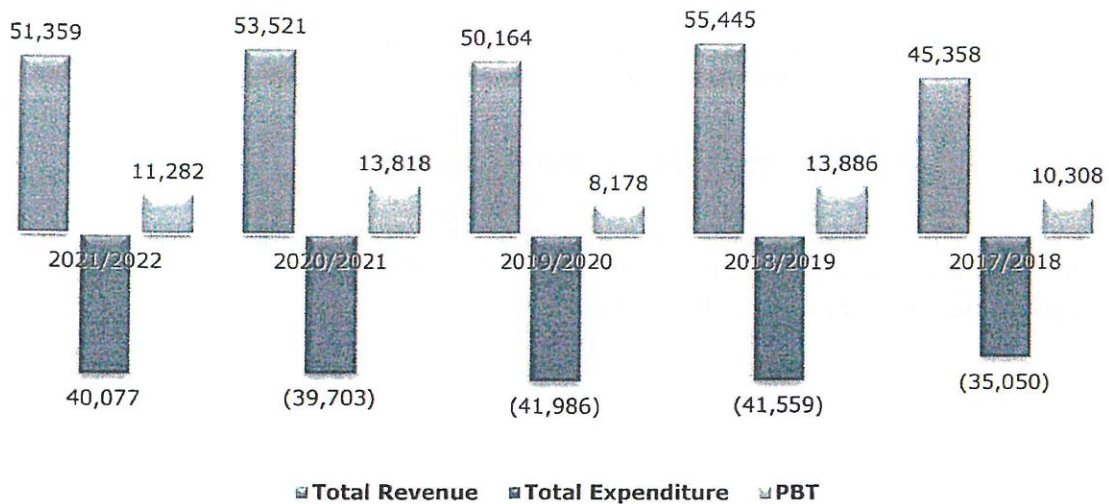
5.0 OPERATING PROFIT: KES 11,282 MILLION

A profit of KES 11,282 million was registered during the year 2021/2022. This profit was slightly above the budgeted figure of KES 11,169 million. It was also significantly below that reported last year of KES 13,818 million.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

5-year review of Statement of Profit					
	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
	KES '000	KES '000	KES '000	KES '000	KES '000
Operating Revenue	49,338,782	52,130,085	48,161,579	52,758,959	42,738,520
Other Incomes	1,300,276	720,475	692,047	498,843	891,023
Total Revenues	50,639,058	52,850,560	48,853,626	53,257,802	43,629,543
Less Expenses:					
Administrative Expenses	(4,373,564)	(4,429,215)	(3,995,660)	(4,044,431)	(3,450,148)
Establishment Expenses	(18,561,900)	(17,906,332)	(19,520,491)	(19,992,244)	(17,789,138)
Other Operating Expenses	(5,271,439)	(5,284,137)	(6,852,267)	(5,976,959)	(4,899,622)
Dep. of PPE & Amort. of IA	(11,739,730)	(11,700,460)	(11,043,683)	(10,609,168)	(7,658,763)
Total Operating Expenses	(39,946,633)	(39,320,144)	(41,412,101)	(40,622,802)	(33,797,671)
Operating Profit	10,692,425	13,530,416	7,441,525	12,635,000	9,831,872
Finance Income	166,878	167,636	1,310,374	2,187,175	1,728,950
Finance Cost	(130,012)	(139,910)	(135,164)	(166,309)	(170,624)
Impairment Gain/(Losses)	55,071	(243,118)	(218,888)	(646,129)	(1,037,395)
Other Gains/(Losses)	497,906	502,796	(219,739)	(124,232)	(44,324)
Profit Before Tax	11,282,268	13,817,820	8,178,108	13,885,505	10,308,479
Tax Charge	(3,592,225)	(5,978,260)	(4,473,012)	(4,137,870)	(3,426,742)
Profit After Taxation	7,690,043	7,839,560	3,705,096	9,747,635	6,881,737

5-Performance overview (KES 'M)



MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

6.0 Financial Position KES 338,404 million

Total assets grew from KES 304,216 million in July-June 2020/21 to KES 338,404 million in 2021/22 resulting to an increase of 11%, This was occasioned by additions/capitalisation of new assets.

6.1 Non-Current Assets KES 307,383 million

Non-current assets amounted to KES 307,383 million during the period, up from KES 280,791 million during the previous year's same period. The increase of 9% is attributed to additions of new assets.

6.2 Current Assets KES 31,021 million

Current assets stood at KES 31,021 million compared to KES 23,425 million recorded last year same period, an increase of (3%).

6.3 Receivables and Prepayments KES 24,015 million

Receivables were KES 24,015 million as at close of the year, compared to KES 19,881 million for the same period last year. This was driven by advances to contractors.

6.4 Cash & Cash Equivalents KES 3,422 million

Cash in bank & at hand amounted to KES 3,422 million during the period under review, up from KES 2,460 million recorded during the same period last year.

6.5 Current Liabilities KES 12,417 million

The balance as at the end of the current period was KES 12,417 million down from KES 17,147 million for the same period last year. The decrease is on account of payments made to creditors.

6.6 Borrowings KES 49,277 million

The JICA loan for the 1st phase of the 2nd Container Terminal stands at KES 19,773 million as at 30th June, 2022 with a total of KES 415 million being paid during the year. The current portion for FY 2021/2022 is equivalent to KES 1,492 million.

The JICA loan for the 2nd phase of the 2nd Container Terminal opened with KES 18,518 million on 1st July 2021 and closed with KES 24,661 million as of 30th June 2022 disbursements equivalent to KES 9,090 million contributed to the increase.

During the year the Authority entered into a loan agreement with Stanbic Bank Ltd for the acquisition of marine equipment and operationalization of the first three berth at Lamu port totalling to USD 63 million. A total of USD 41.115 million equivalent to KES 4,843 million had been drawn as at 30th June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS ON PORT PERFORMANCE (Cont'd)

6.7 Dividends Payment to National Treasury.

Dividend has been payable to the National Treasury at the rate of 7.5% on Profit after Tax. The Dividend obligation for the year ended 2021/22 is KES 576.7 million.

6.8 Directors' fees

Directors' allowances/fees were last paid for FY 2012/2013. The fees are usually payable to the directors once approved by the National Treasury upon completion of the audit of the Authority's Annual Report & Financial Statements for the relevant year under review. The account currently has an unpaid fee amounting to KES 53.4 million for the years 2013/2014 to 2021/2022 yet to be disbursed to the Directors as the Authority is yet to receive the requisite approvals.

5-year review of Statement of Financial Position					
	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
	KES '000	KES '000	KES '000	KESs '000	KES '000
Non-Current Assets:					
Property Plant and Equipment	304,367,928	278,119,616	267,063,658	241,554,138	144,614,772
Assets held for Sale	237,993	0	400	11,618	400
Intangible Assets	811,788	987,687	1,205,422	1,151,296	675,383
Leased Property	916,728	648,215	671,246	717,063	805,819
Long Term Investment	1,048,283	1,035,690	1,396,168	1,748,887	3,244,997
Total Non-Current Assets	307,382,720	280,531,208	270,336,894	245,183,002	149,341,371
Current Assets:					
Inventories	584,735	443,609	495,536	404,813	407,965
Receivables & Prepayments	24,014,785	19,881,232	17,377,585	15,946,216	14,500,357
Tax paid in advance	2,158,488	265,685	2,388,639	0	873,216
Short term deposits	840,860	374,054	1,167,706	25,099,818	17,988,504
Bank & Cash balances	3,422,167	2,459,942	3,003,068	859,114	788,363
Total Current Assets	31,021,035	23,424,522	24,432,534	42,309,961	34,558,405
TOTAL ASSETS	338,403,755	304,215,730	294,769,428	287,492,963	183,899,776
Capital and Reserves:					
Revaluation Reserves	85,791,507	93,784,610	103,132,900	111,646,031	39,881,910
General Reserves	128,004,594	97,076,196	80,874,208	90,620,573	78,426,542
Grants	8,895,947	2,015,030	3,468,561	5,318,100	5,044,052
Total Capital and Reserves	222,692,048	192,875,836	187,475,669	207,584,704	123,352,504
Non-Current Liabilities:					
GOK Project Funds	47,850,157	43,386,157	37,386,157	27,386,157	16,212,039
Borrowings	47,784,967	39,919,684	39,070,959	32,729,833	29,493,976
Deferred tax	4,618,202	7,310,667	6,650,083	5,231,256	5,281,505
Retirement benefit obligations	3,041,000	3,576,200	3,106,800	786,300	1,767,500
Total Non-Current Liabilities	103,294,326	94,192,708	86,213,999	66,133,546	52,755,020
Current Liabilities:					
Dividend Payable	0	0	4,950,000	0	0
Borrowings	1,492,345	1,258,939	857,934	820,134	791,109
Trade and other Payables	10,389,836	15,353,047	14,736,626	11,212,048	7,001,143
Retirement benefit obligations	535,200	535,200	535,200	535,200	0
Tax Payable	0	0	0	1,207,331	0
Total Current Liabilities	12,417,381	17,147,186	21,079,760	13,774,713	7,792,252
TOTAL CAPITAL & LIABILITIES	338,403,755	304,215,730	294,769,428	287,492,963	183,899,776

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do as per Strategic Plan 2018-2022 implementation matrix. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant services, and operational excellence.

In fulfilling the Mwongozo code's sustainability goals & strategy, the Board;

- i. Integrated sustainability into the organization's strategy and management practices
- ii. Focused on the future sustainability of the organization
- iii. Adopted a holistic approach to economic, social, and environmental issues in their core business strategy
- iv. Considered in their decision making, the impact of their organization's operations on the community and the environment
- v. Worked closely with management to ensure long-term goals are well formulated and subsequently met
- vi. Focused on long-term talent development
- vii. Ensured continuous innovation of its processes, products, and services

Below is an outline of the activities that promote sustainability.

1. QUALITY MANAGEMENT SYSTEM

Over the thirteen years of ISO 9001 Quality Management System (QMS) certification, the Authority has undergone numerous surveillance and internal audits that have ascertained its continued compliance to international quality standards, enhanced service delivery and customer satisfaction.

The Authority attained certification for Quality Management System ISO 9001:2008 in June 2009. The Authority's QMS was recertified in March 2012 and May 2015. The revision to the ISO 9001 standard in 2015, necessitated the KPA's QMS transition and was certified to the new standard ISO 9001:2015 in May 2018. The Authority is now on its 5th cycle of the QMS certification having successfully completed recertification in May 2021.

The success of the Quality Management System has led The Authority to have in its strategic plan the initiative to implement several other ISO based Management Systems which are at different stages of implementation. These include;

i. Information Security Management System (ISMS) based on ISO 27001:2013

The standard is designed to help the Authority to enhance the confidentiality controls on its information, improve the accuracy and correctness of information shared internally and externally and ensure that relevant information is available to relevant personnel when required.

The various policies and procedures to control the system have been documented as guided by the consultants and are pending approval prior to dissemination and implementation. Materials for awareness exercise have also been prepared. The Authority is due for recertification audit for ISO 27001 ISMS in December 2022.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

QUALITY MANAGEMENT SYSTEM (Cont'd)

- ii. Environmental Management System based on ISO 14001:2015 & the Occupational Health and Safety Management System based on ISO 45001:2018**

TMEA in partnership with the Authority has been implementing the Mombasa Resilient Improvement Programme. One of the projects in the programme is the implementation of an Environmental Management System (EMS) based on ISO 14001:2015 standard and an Occupational Health and Safety Management System (OHSMS) based on ISO 45001:2018 standard. TMEA committed to support implementation of the two management systems through the Kenya Bureau of Standards. The two systems (EMS & OHSMS) are due for certification in December 2022.

The Authority is committed to embrace quality as the foundation of these management systems in all the processes and procedures.

2. Enterprise Risk Management

The Authority has adopted ISO 31000:2018 Risk Management guidelines and includes the Committee of Sponsoring Organizations' (COSO) control activities.

This ensures that the Authority aligns with best practice in managing risks and fosters proactive risk identification, assessment, mitigation, and continuous monitoring across the business. The Enterprise Risk Management Framework enables the Authority to manage and report its strategic and operational risks in a consistent way. The Authority remain committed in ensuring improved customer experience and facilitating regional trade while proactively and systematically managing risk.

Risk Management Governance

The Board takes the overall responsibility for managing risk. A Risk Management Committee is in place to oversee the implementation of policies approved by the Board. The Risk Management Framework enables the Management a clear and an informed Risk-Based decision making. The Authority continue to be committed to robust risk management practices as an integral part of good corporate governance.

The Risk Environment

The Risk landscape has been altered with emergent of Covid-19 Pandemic. The Authority enhanced its responsiveness to the uncertainties by having in place contingencies and business plans as a critical service provider. The disruption of the economic landscape has influenced financial and business resilience risks. Contingencies have been made in the business plans to accommodate the disruptions.

Principal Risks

Principal risks are identified through Enterprise Risk Management Framework, thus providing the Board and Risk Management Committee with a current assessment of the key risks facing the Authority. These risks are identified through an integrated interactive enterprise risk management process.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

Principal Risks (Cont'd)

The Enterprise Risk Management Framework defines eleven corporate risks that are proactively being managed in response to the ever-changing operating environment. These are;

i. Business Continuity and Resilience Planning (BCP) Risks

To maintain uninterrupted services, the Authority has conceptualized and is continuously enhancing and monitoring the following continuity plans;

- ⌞ Diseases and Epidemics Contingency & Response Plan
- ⌞ Emergency Communication Strategy
- ⌞ Emergency Management Plan
- ⌞ Notification Procedures
- ⌞ Standard Operating Procedures for Incident Command Centre
- ⌞ ICT Disaster Recovery Plan

The Authority has conceptualized an integrated and updated Business Continuity and Technical Resilience Plans (BCTRP) that articulate how to keep business running in the event of disruption.

ii. Information Communication Technology Risks

The Authority runs on a robust ICT infrastructure in all its processes. External cyber-attack or internal breach could result in service interruption and/ or the breach of confidential data. To address this risk the following mitigations have been put in place:

- ⌞ Continuous legacy systems renewal to phase out outdated systems and technologies.
- ⌞ Continuous implementation of systems automation strategies to streamline processes especially in cargo clearance and ensure securing of all port charges.
- ⌞ Surveillance and upscaling of the information security infrastructure to avert any attacks.
- ⌞ Continued interfacing of SAP and KWATOs systems.
- ⌞ Implementation of ISO 27001; ISMS which is currently under pre-certification phase.

iii. Financial Risks: Business Growth, Liquidity/Cashflow challenges and Forex Volatility

A possibility of negative Key Performance Indicators arising from impact of COVID-19, inflationary pressures and fewer vessel calls portends slow business growth. The Authority is mitigating against the risk through:

- ⌞ Re-formulation of working capital requirements to bridge cash flow requirements
- ⌞ Rescheduling capital investment related plans and infrastructure projects.
- ⌞ Forecasting foreign currency requirements (USD, Japanese Yen etc.) to gain a latitude to minimize potential losses associated with forex exchange rates fluctuations
- ⌞ Aggressive marketing and adoption of SGR for cargo evacuation thus enhancing efficiency

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

Principal Risks (Cont'd)

iv. Risk of Non-implementation of Capital Programmes

Capital Projects that had been earmarked for implementation may be affected due to inadequate funding or reallocation of budgets. The Authority mitigates against the risk through:

- ↯ Continuous alignment of the strategic plan initiatives with the budgeting cycle to utilize internal funding
- ↯ Continuous monitoring and evaluation of the projects' milestones to inform prioritization of on-going projects to match reduced revenues
- ↯ Continuous validation of business cases prior to investment decisions
- ↯ Focusing on key/high priority transformative Programmes/Projects

v. People Risks: Succession Planning for Continued Performance and employee productivity

To enhance employee productivity and competence by tapping the existing talent establishment, the Authority faces the risk of loss of Organizational knowledge and skills due to lack of an elaborate succession program. The Authority is mitigating against the risk through:

- ↯ Operationalizing the succession planning policy and allied programs.
- ↯ Work understudy programs in technical and operations business units.
- ↯ Proactive redress of the workplace employees' challenges

vi. Insecurity, cargo theft and threats of contraband goods and terrorism

Cases of increased general insecurity arising from COVID-19 pandemic that has contributed to slowed economic activity and possible terror threats on the Authority's establishments e.g., at the Port of Lamu. The Authority is mitigating against the risk through:

- ↯ Placement of scanners at all Port entry points
- ↯ Embrace and consistently employ inter- agency approach to security enhancement/enforcement capability in all Ports

vii. Corruption leading to operational and structural weaknesses

Integrity related risks impact on the operational and structural success of the Authority in the discharge of its mandate. The Authority is proactively managing this risk through:

- ↯ Adoption of a multi-dimensional, multi-sectoral and multi-stakeholder anticorruption strategy to holistically deal with graft and enhance integrity and transparency in the procurement process.
- ↯ Enforcement of the Authority's policies through providing clear direction to staff on core processes and their requirements.
- ↯ Approval and roll out of ethics and integrity risk-based policies
- ↯ Ongoing ethics awareness and employee anti-corruption training Programmes

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

Principal Risks (Cont'd)

viii. Standard Gauge Railway-Take or Pay Agreement

The Authority is a key enabler of the success of the Standard Gauge Railway and especially the Take or Pay Agreement. Efficiency and effectiveness in cargo evacuation impacts on the achievement of this objective. The Authority has enhanced efficiency in cargo evacuation via SGR.

ix. Occupational Health, Safety & Environment Risks

Accidents and loss of life not only directly affect families but also pose a reputation risk to the Authority. Accidents affect availability of equipment and thereby evacuation of cargo. The Authority is proactively managing this risk through:

- ⌞ Restructuring and resourcing of the Safety Branch will ensure a dedicated supervision and monitoring of the Authority's safety environment to ensure compliance to the Occupational Safety and Health Act and address work-place accidents.
- ⌞ Continuous regulatory compliance in line with the Occupational Health and Safety Act.
- ⌞ Implementation of ISO 45001 and 14001; Occupational Health & Safety and environmental standards which are currently under pre-certification phase.
- ⌞ Continuous environmental audits and compliance with NEMA requirements.

x. Competition

The Authority could experience inhibited business growth due to competition from neighboring Ports occasioned by uncompetitive tariffs, operational inefficiencies, high cost of doing business for lack of seamless, cost effective and efficient logistical network. The Authority is proactively managing this risk through:

- ⌞ Continuous building of the Authority's capacity ahead of demand e.g. deepening of the channels, additional dredging etc.
- ⌞ Benchmarking with regional ports and aggressively employing leading practices
- ⌞ Conduct aggressive marketing (local and transit markets) to promote KPA's services
- ⌞ On-going modernization through investments in systems, equipment, and personnel
- ⌞ Enhancement of customer care programs to boost positive customer experience for port users
- ⌞ Increase through put and maximize revenue earnings on transshipment cargo.

xi. Legal & Regulatory Risk

The Authority operate in a unique environment exposing it to significant financial implications, reputational damage, and litigations. The nature of the Authority's services requires compliance to Maritime Regulations, Public Procurement, Tax Laws amongst other laws of the land. The Authority mitigates against this risk through;

- ⌞ Continuous sensitization of staff and stakeholders on compliance requirements on various legislation and laws
- ⌞ Continuous monitoring of services and operations to ensure compliance
- ⌞ The Authority has a fully-fledged in-house legal team and support from external counsel.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

3. ENVIRONMENTAL PERFORMANCE

The Kenya Ports Authority commits to ensuring environmental compliance and integration of environmental sustainability in the development and operations of the port. This is in line with our vision of becoming world class port of choice. This is demonstrated in the Authority's strategic plan 2018-2022 under the strategic objective of enhancing Risk Management and Environmental Sustainability.

Environmental Policy

KPA in collaboration with Trade Mark East Africa (TMEA) has developed a Green Port Policy and Implementation Plan for the Port of Mombasa. The Authority's green port policy focusses on environmentally friendly port operations and development with the following undertakings;

- i. To put people first by protecting them from harmful impact of port operations and improve their environment.
- ii. To invest in Sustainable Port operations/ development with new technology.
- iii. To co-opt stakeholders in improving the environment.
- iv. To become a Green Port leader in the region
- v. To maintain and improve biodiversity.

Compliance

The Authority's has strived to ensure that its activities and programmes comply with the National environmental Law, the Environment Management and Coordination Act CAP 387 and subsidiary legislations.

- a. Environmental Audits- Statutory environmental audits are conducted on annual basis and reports submitted to NEMA. In the period under review, the audits were conducted in November 2021 and the subsequent reports submitted to NEMA. The environment audit covered Mombasa, Nairobi, Kisumu, Naivasha and Lamu jetty.
- b. Environmental and Social Impact Assessment (ESIA) Studies- In the last financial year, the Authority undertook several environmental compliance assessments in relation to the Special economic zone port projects. Having met all the regulatory requirements, the National Environment Management Authority has issued applicable licenses. Other assessments are still going on.
- c. Waste management- Engagement of firms licensed by NEMA in the management and disposal of solid and sewage waste in compliance with waste management Regulations.
- d. Ship waste -The Port of Mombasa complies with the provisions of MARPOL Convention with respect the provision of facilities for the reception of sludge, oily bilge waters, oily mixtures and other residues that cannot be discharged into the sea.
- e. The current arrangement is that shipping lines make private arrangements with the private licensed port contractors. The port plays crucial roles in terms of supervision of waste collection inside the port to prevent marine pollution and ensuring compliance to the licensing requirements of the Environmental regulator.
- f. Disposal Sites; use of approved and licensed disposal sites for the disposal of hazardous and other waste.
- g. Area of improvement: Proper handling of bulk cargoes in order to prevent excessive air pollution as a result of dust from the bulk cargo operations.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

ENVIRONMENTAL PERFORMANCE (cont'd)

The Authority has also taken several initiatives in relation to climate change as illustrated below.

Eco-terracing of the steep hillsides within the port was undertaken so as to reduce the impacts of climate change and especially for control of soil erosion. This was adopted after several Incidences of small landslides within the port caused by unusually heavy rains. These areas are currently well protected with adequate vegetation cover and no erosion/landslide incident has been recorded since the completion of the eco-terracing project.

Solar power- use of green renewable energy through the Installation of grid-tied roof-top Solar Power Plants in the port. Currently there three (3) solar plants in operation with a combined maximum capacity of approximately 1 Megawatt, supplying the New Service Area and the new Cruise Ship terminal in the port. Additionally, there are ongoing plans for a 5.5MW Peak solar power plant with capacity to support operations in the whole port.

Biodiversity Management

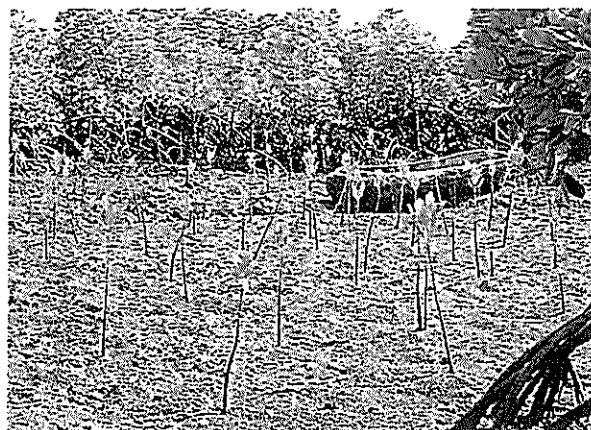
The Authority has been committing resources towards protection and conservation of both of terrestrial and marine biodiversity through monitoring, restoration, maintenance and rehabilitation of degraded systems.

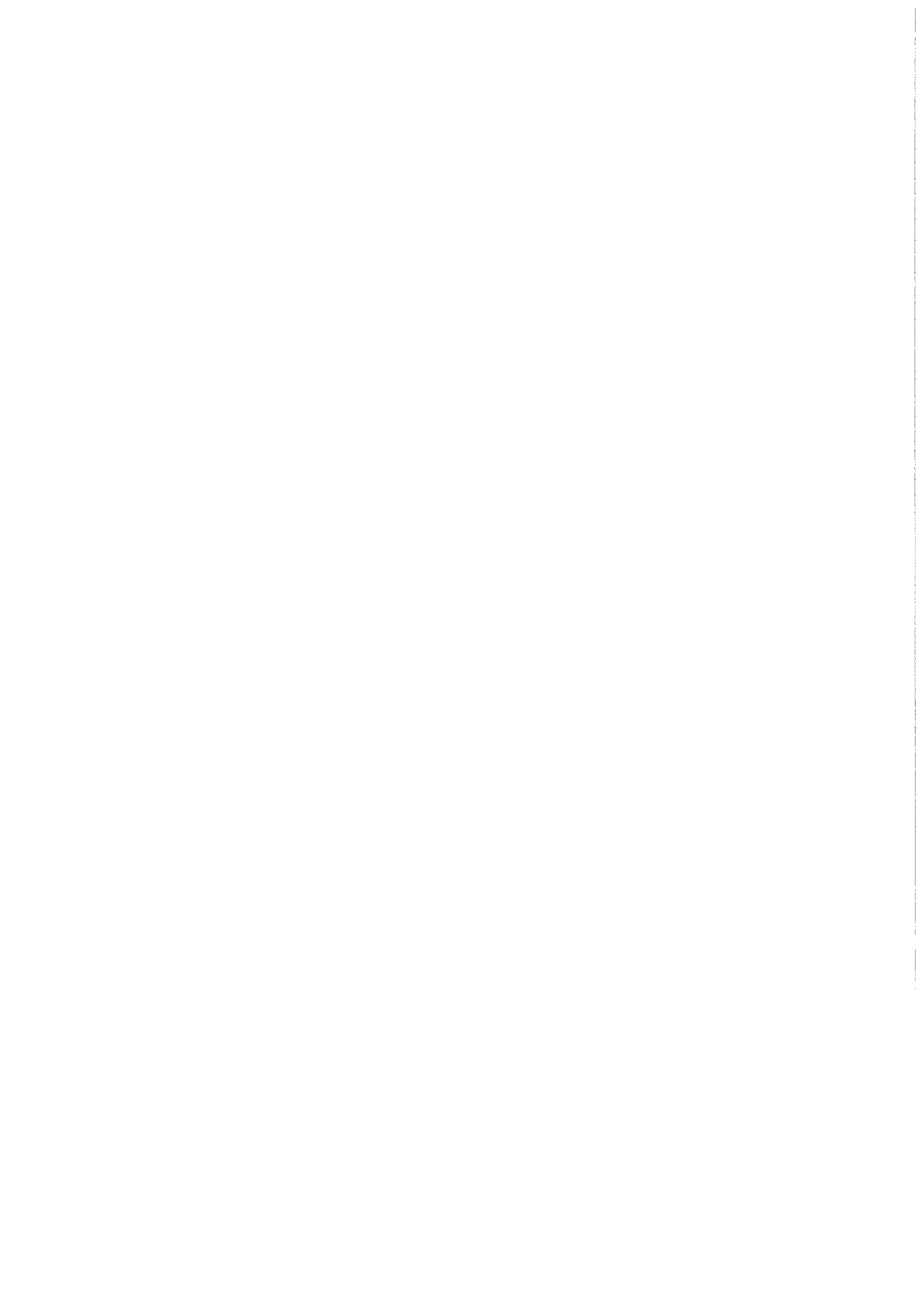
Marine pollution: Monitoring of the quality of the ocean water commenced in the last quarter of the financial year. This will be a monthly activity to check on the level of marine pollution as a result of discharges from the land-based activities.

Mangrove restoration: A total of 2,000 mangrove seedling were planted in the period under review at the Authority's site at Tudor creek taking the total to over 40,000 since 2019 with a 100% survival rate. This programme is undertaken in collaboration with community-based organization who undertake regular monitoring and maintenance together with the Authority's scouts.



Mangrove Planting At Tudor Creek





ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

ENVIRONMENTAL PERFORMANCE (cont'd)

Environmental Management System ISO 14001

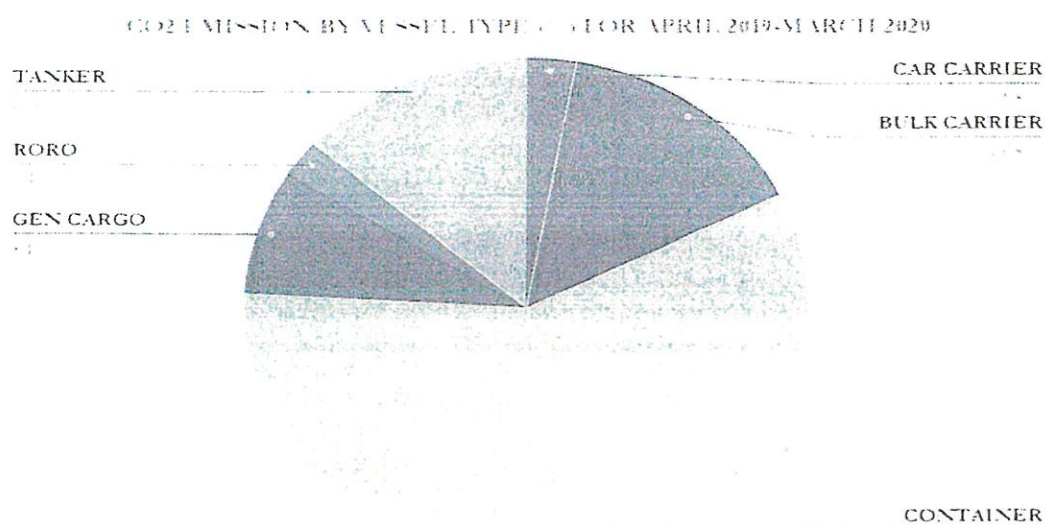
There have been significant progress in the Development and Implementation of ISO 14001 in the last financial year. The necessary documentations on the same were completed and all relevant trainings of the different lead teams/ champions were conducted. General awareness on the systems covering the entire port staff is currently ongoing.

Climate change initiatives

A study on the Quantification of pollutants emissions from OGVs within the Mombasa port limits was conducted in collaboration with Maritime Technology Centre-Africa (MTCC-Africa), Jomo Kenyatta University (JKUAT) and the Kenya Maritime Authority. Some of the results are shown below.

Vessel Type	NOX	SOX	CO	CO2	PM 10	PM 2.5	S
Car Carrier	294.34	35.41	20.66	14,249.59	7.72	7.72	20.67
Bulk Carrier	1,575.54	187.91	111.27	75,805.47	41.76	41.76	111.74
Container	6,185.94	739.54	439.26	298,456.65	166.14	166.14	432.53
Gen Cargo	855.48	102.61	59.98	41,436.56	22.36	22.36	60.60
Roro	248.59	30.17	17.06	12,134.67	6.14	6.14	17.26
Tanker	1,428.00	172.97	99.71	69,661.23	36.67	36.67	100.31
Total	10,587.89	1,268.61	747.94	511,744.17	280.80	280.80	743.11

Terms: NOX: nitrogen oxides, SOX: sulphur oxides, CO: carbon monoxide, CO2: Carbon Dioxide S: Sulphur, PM 10 and PM 2.5 refers to atmospheric particulate matter (PM) that have a diameter of less than 10 and 2.5 micrometers respectively.

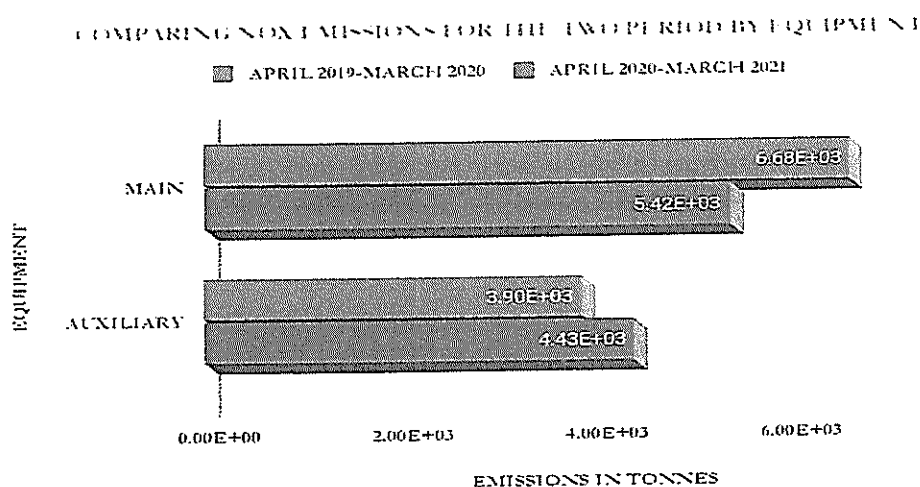


ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

ENVIRONMENTAL PERFORMANCE (Cont'd)

Vessel Type	NOX	SOX	CO	CO2	PM 10	PM 2.5	S
Car Carrier	371.99	60.80	26.09	18,334.88	10.07	10.07	26.62
Bulk Carrier	1,928.46	224.13	138.64	97,177.21	51.98	51.98	145.61
Container	5,026.17	619.22	363.04	250,977.07	137.89	137.89	378.28
Gen Cargo	767.37	96.80	56.54	39,247.94	21.29	21.29	59.02
Roro	247.53	30.34	17.64	12,296.16	6.66	6.66	18.46
Tanker	1,508.15	185.02	106.45	75,006.89	39.51	39.51	112.15
Total	9,849.66	1,216.32	708.40	493,040.14	267.39	267.39	740.15

Terms: NOX: nitrogen oxides, SOX: sulphur oxides, CO: carbon monoxide, CO2: Carbon Dioxide, S: Sulphur, PM 10 and PM 2.5 refers to atmospheric particulate matter (PM) that have a diameter of less than 10 and 2.5 micrometers respectively.



The total emission of NOX (Oxides of Nitrogen) of the ships' main engine for period 2019/20 was 6,680 tons. While the total emission of NOX of the ships' main engine for period 2020/21 was 5,420 tons.

The total emission of NOX (Oxides of Nitrogen) of the ships' Auxiliary engines for period 2019/20 was 3,900 tons. The total emission of NOX of the ships' Auxiliary engines for (2020/21) was 4,430 tons.

Based on the research, it is clear that the Authority has implemented a number of the recommendations focusing on energy efficiency and control of emissions. This is partly due to the statutory requirements as per the Energy Act 2019 and efforts to implement the green Port Policy. Three projects have been implemented; installation of solar Power plant, LED lights, power-factor correction and tree planting which contributes to a national drive by GoK to attain a 10% forest cover by 2022.

Other phases are ongoing. Including installation of 5.5MW Peak solar power plant, implementation of ISO 14001 and ISO 45001 amongst others.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

4. HEALTH AND SAFETY

The Authority has in place a health and safety policy in line with the requirements of the OSHA Act, 2007. The safety branch takes the primary role of ensuring compliance to OSHA 2007, which provides regulations to ensure the safety of persons in the port and safe work environment.

To achieve this mandate various Programs are in place aimed at:

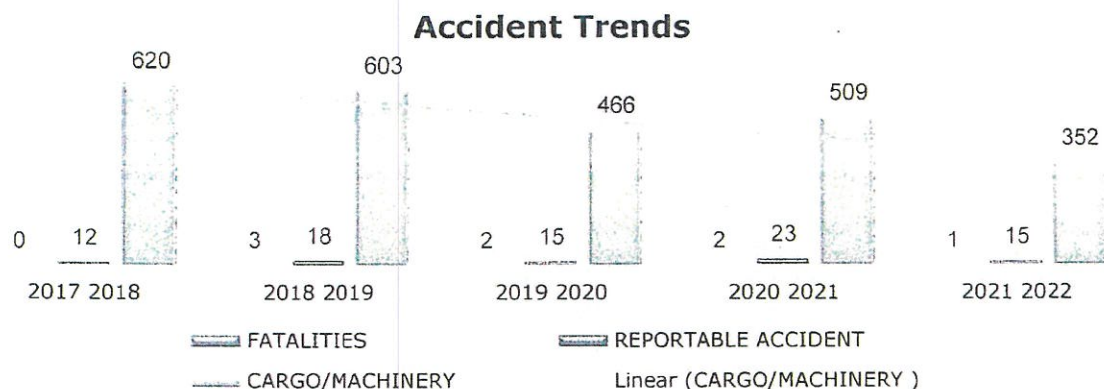
- Creating safety awareness and sensitization to all persons in the port.
- Ensuring safe cargo handling including dangerous cargo.
- Identifying workplace hazards and risks and recommending control measures.

Compliance with Occupational Health and safety (OSH)

In compliance with the OSHA, 2007, the following activities were carried out during the period.

- Safety and health training, awareness and sensitization was carried out to employees, port users and contractors.
The annual safety and health week was conducted at Mombasa Port, ICD Nairobi, Naivasha ICD and Lamu port from 20th to 24th June 2022 with the theme "Act Together to build a positive Safety and Health Culture".
- Safety inspections and risk assessments for our workplaces was carried out and report submitted to the Directorate of Occupational Safety and Health Services (DOSHS). Implementation and monitoring of control measures to reduce risk was continuously carried out and is ongoing.
- Annual medical examinations for staff was carried out by a DOSHS Designated Health Practitioner from July to September 2021.
- The annual Safety and Health audit was carried out between December 2021 and January 2022 at Mombasa Port, ICD Nairobi, Naivasha ICD and Lamu port by a DOSHS Approved Advisor.
- Statutory inspection of lifting equipment, air receivers and lifts was carried out by DOSHS Approved Inspectors.
- Fire safety training and drills were carried out at various workplaces to test response to emergencies.

Accident Occurrence

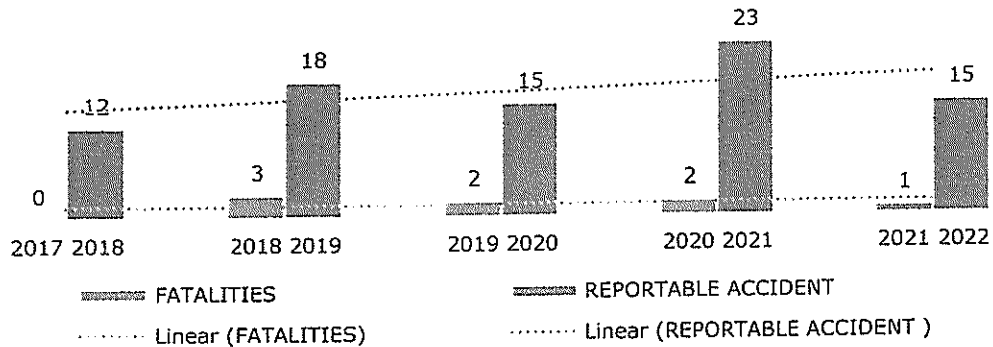


ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

HEALTH AND SAFETY (Cont'd)

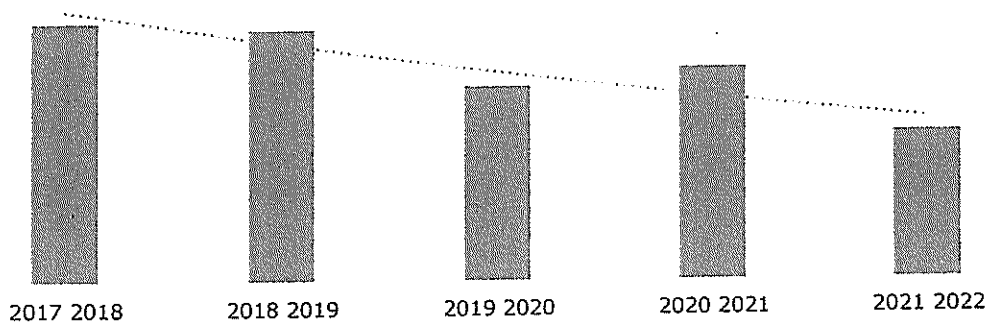
Overall, there's been general decline trend in accident occurrence over the years and notably most accidents involve cargo and machinery. Majority of accident occur during cargo handling in operational areas and during transportation.

Fatalities Vs Reportable Accidents



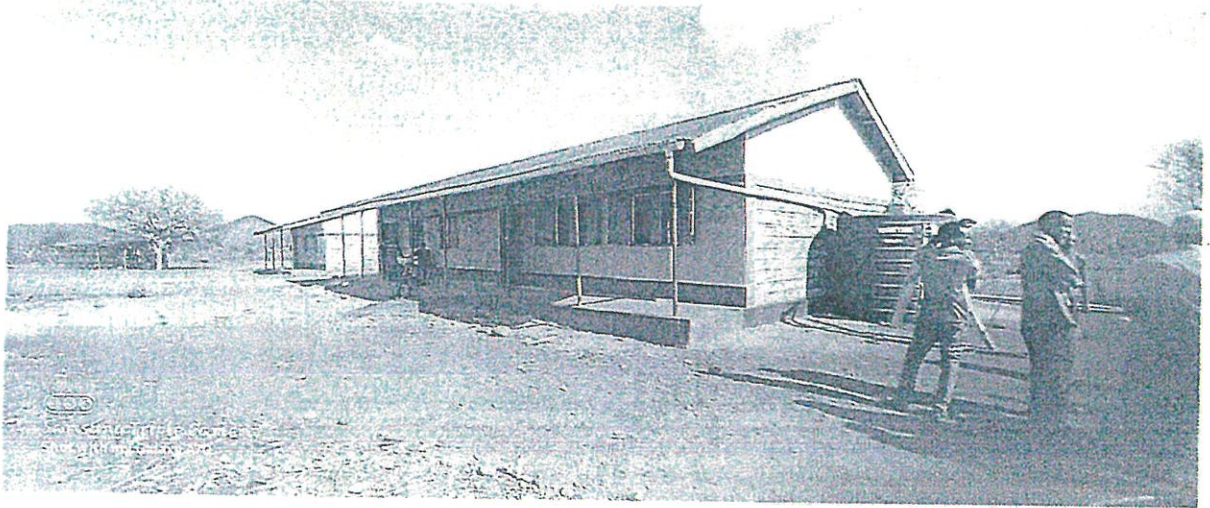
Cargo and machinery accidents comprise most of the reported accidents and result in damage to cargo, equipment, and property. Below is the trend of cargo and machinery accidents.

Cargo/Machinery Accidents



Overall cargo and machinery accidents accounted for 96.55% of all accidents while reportable personnel accidents were 3.14% and 0.3% were fatalities over the period.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)
CORPORATE SOCIAL RESPONSIBILITY (Cont'd)



Kinisa Mixed day School

The Authority donated Two million Kenya Shillings to the Kinisa Mixed day School. The donation catered for the construction of two classrooms and temporary toilets in the school.



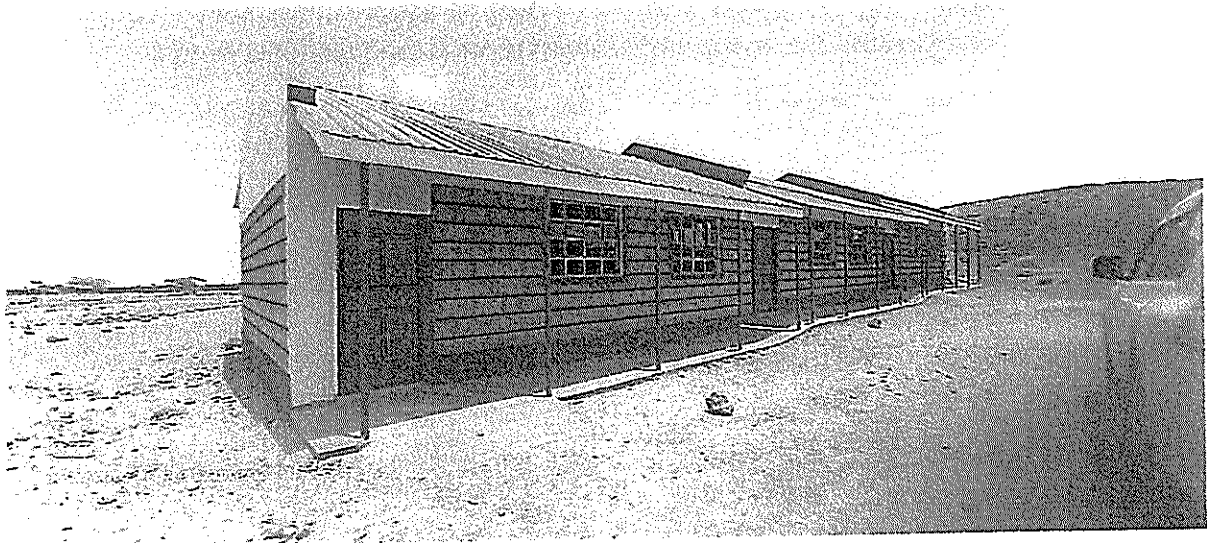
ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (cont'd)



Ambassador Primary School

The Authority donated Six Million Kenya Shillings to the Ambassador Primary School. The donation carted for the construction of three classrooms and one staff house.



ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (cont'd)

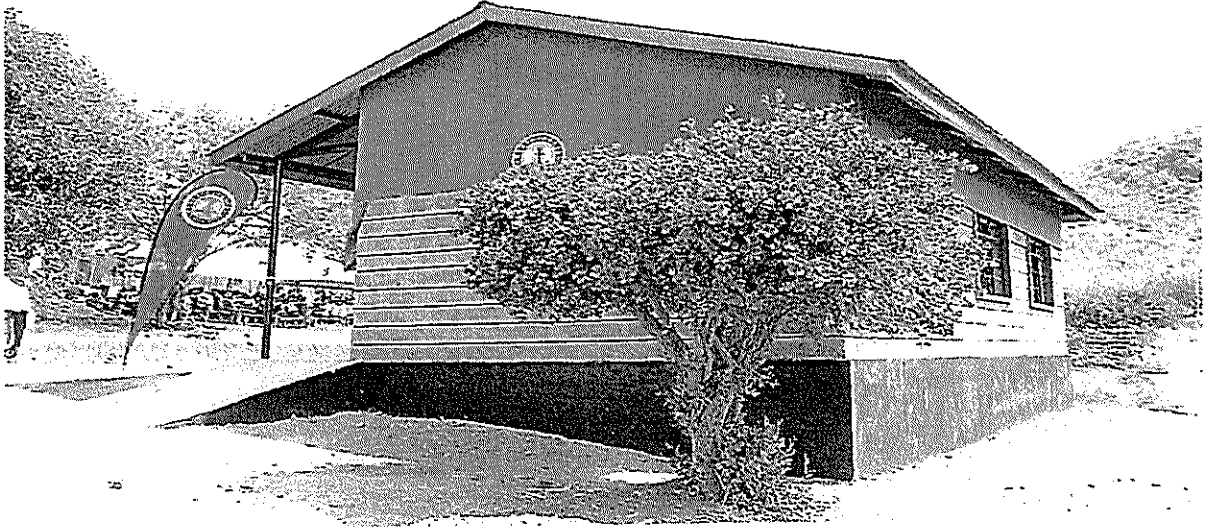


Priscillah Primary School

In Taita Taveta County, the Authority donated to the school One Million Kenya Shillings for the construction of an administration block. Prior to the donation, the school held meetings in an outdated administrative building block that was a makeshift from a classroom and lacked individual offices. As a result, the office became congested. In addition, they had limited storage space for educational materials, student records, and personal things.



ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)
CORPORATE SOCIAL RESPONSIBILITY (cont'd)

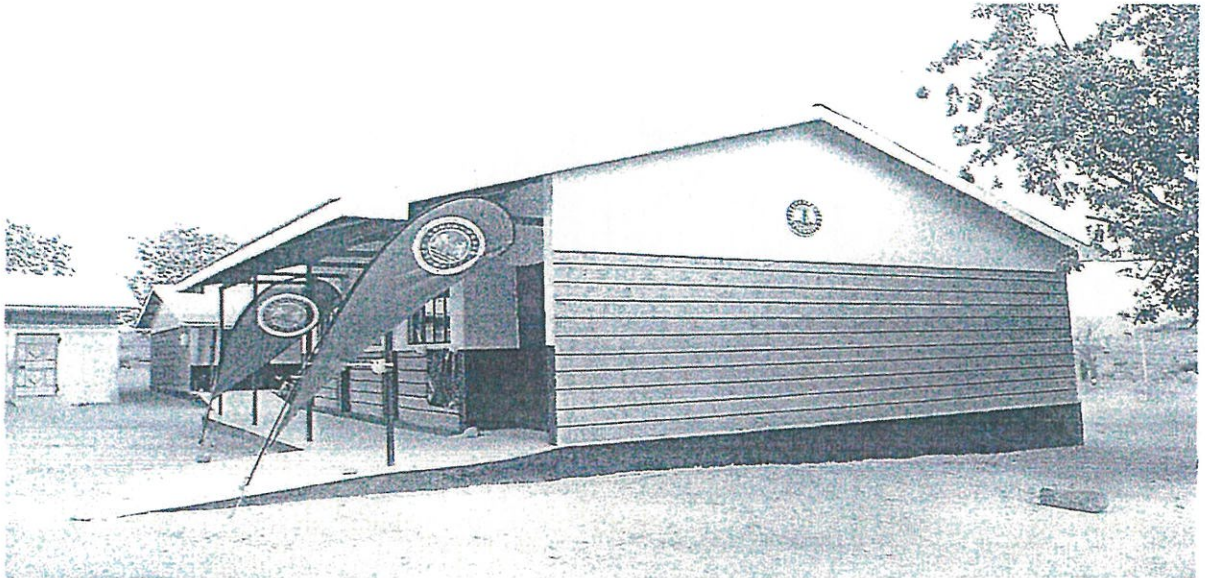


Kale Primary School

The Authority provided funding for the building of one classroom and lockers totaling Two million Kenya Shillings (Fully furnished classroom). The classroom will add an extra space for children to learn into the school which had a challenge of insufficient classrooms.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (cont'd)



Kalela Primary School

The Authority contributed four million Kenya Shillings to the construction of an administration block. The school's new administrative block is now a well-planned and spacious building that consists of the vast Reception area, Headteachers office, the Deputy's office, the Accounts Office, the Administrative Officer's office and secretary office, a kitchen, a staffroom and two washrooms.



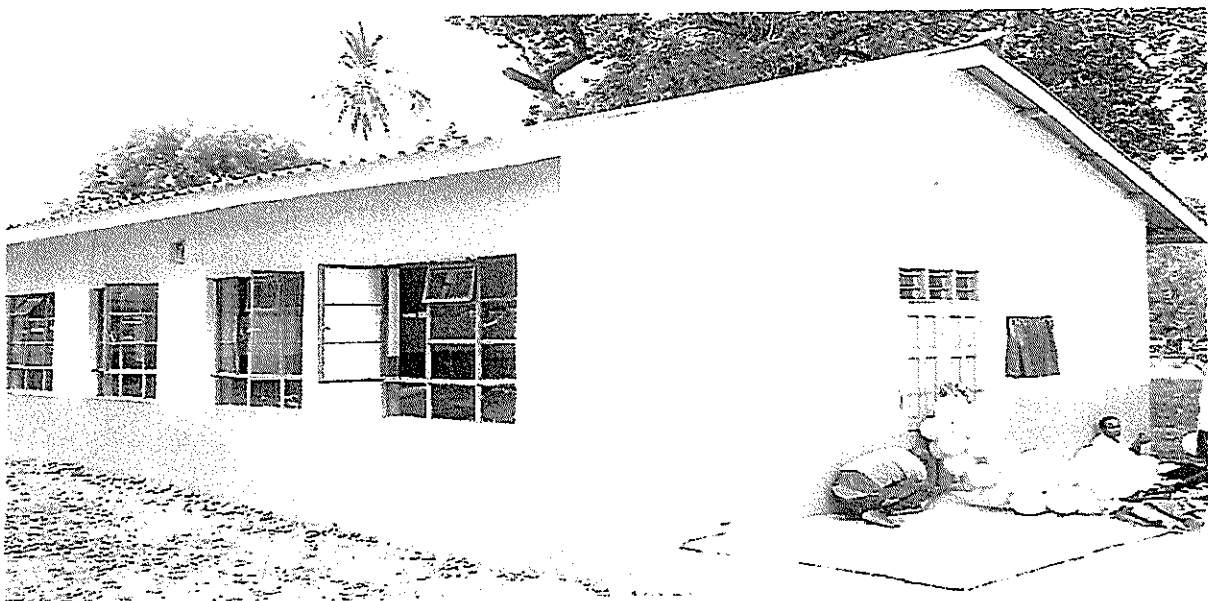
ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (cont'd)



Shimo la Tewa Secondary School

The Authority partnered with the school in building a 60-capacity dormitory. The Authority contributed Two million Nine Hundred Thousand Kenya Shillings as part of the Corporate Social Investment initiative. While the school contributed One Million Kenya Shillings for the dormitory's completion. Students will now sleep better, hence improve their academic performance.



ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

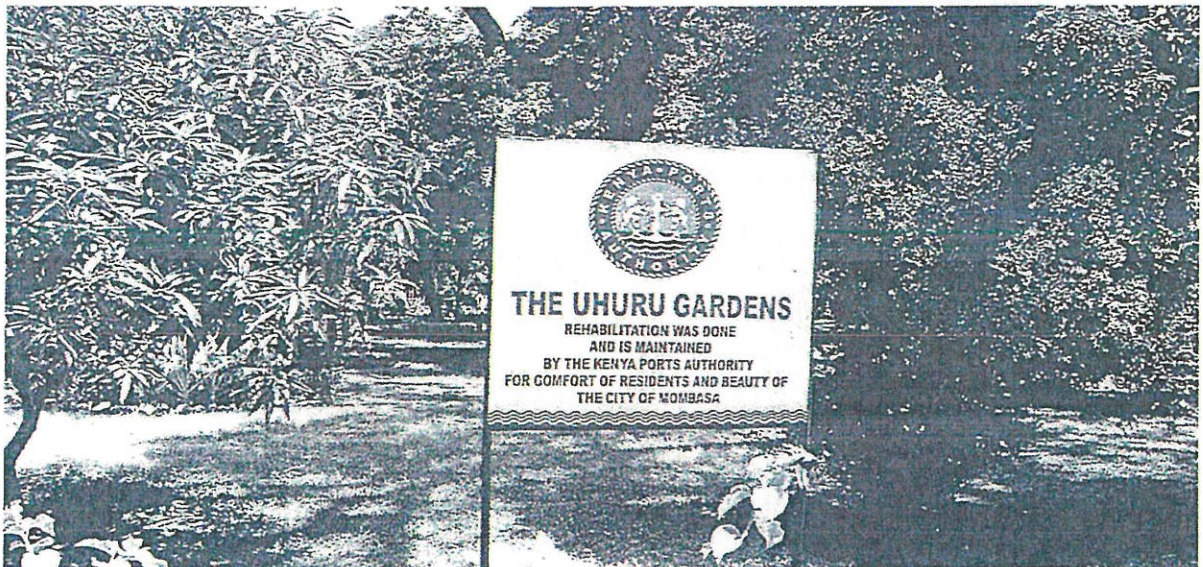
CORPORATE SOCIAL RESPONSIBILITY (cont'd)

Lamu safe House

The Authority contributed KES 6 million only for the construction of the safe house's development. The purpose and objective of the safe home is to provide temporary protection and accommodation to survivors of early marriage, female genital mutilation (FGM), and sexual gender-based violence (SGBV) by offering treatment and psychosocial support. The facility will be based at the Mokowe Health Centre and serve the whole Lamu county.

Environment

The Authority continues to maintain and landscape the Uhuru gardens in Mombasa County collaborating with the County government in beautifying Mombasa which is a major tourist site in the world map considering Moi Avenue is where the large, monumental elephant tasks are situated.



ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (cont'd)

Sports

The Authority continues to support Bandari FC, basketball teams (men & women), volleyball teams, and netball teams in the National Leagues amongst other sporting activities.

During the year, KPA clinched both men and women KBF league titles. It was only the second time since the league's inception in 1987 that the teams achieved the honors in a calendar year. The first time KPA teams did the double was in 2018.

In November 2021 the ladies' basketball team also won the FIBA Zone V Club Championship held in Dar es Salaam Tanzania and proceeded to represent the East and Central Africa Region in the prestigious Continental FIBA Club Champions Cup in 2022.

In volleyball the mens team attained position two in the league and for the second year running the team represented Kenya in the African volleyball club championship held in Tunis, Tunisia where they emerged as the 5th best team in the continent.



REPORT OF THE DIRECTORS

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

Principal Activities

KPA's mandate continues to be to develop, maintain, operate, improve, and regulate all scheduled seaports along Kenya's coastline. Core activities include pilotage, towage, mooring, dry docking, navigational aids, and maintenance of the channel, stevedoring and shore handling and reception of cruise vessels in accordance with KPA Act CAP 391.

Results for the year

	2021/2022	2020/2021
	KES '000	KES '000
Profit Before Tax	11,282,268	13,817,820
Tax	(3,592,225)	(5,978,260)
Net Profit	7,690,043	7,839,560

Dividend

Dividend has been payable to the National Treasury at the rate of 7.5% on Profit after Tax. The Dividend obligation for the year ended 2021/22 is KES 576.7 million. The dividends will be paid in conformity with the Authority's policy on dividends.

Directors

The directors' who held office during the year and to date are shown on page 5.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. In accordance with section 23 of the Public Audit Act 2015, the Auditor General is empowered to nominate another Auditor to carry out the audit on their behalf.

By order of the Board



Turasha Kinyanjui
CS & GM, BOARD & LEGAL SERVICES

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the PFM Act 2012, Section 14 of the State Corporations Act, 1986 and Section 20 of KPA Act, 1978 requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the operating results. It also requires the directors to ensure that the Authority keeps proper records which disclose, with reasonable accuracy at any time, the financial position of the Authority. The directors are also responsible for safeguarding the assets of the Authority.

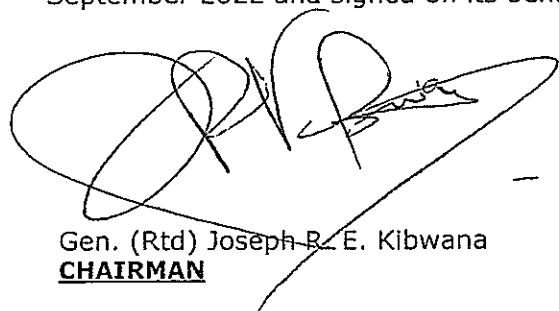
The Directors are responsible for the preparation of Financial Statements that give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on 30 June 2022. The responsibility includes:

- (i) Maintain adequate financial management arrangements and ensure 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) Design, implementing and maintain internal controls relevant to the preparation and presentation of the financial statement 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

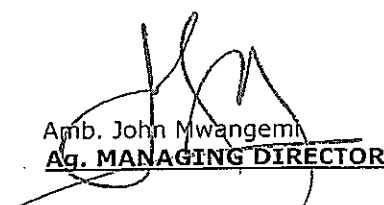
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of financial affairs of the Authority's transactions during the financial year ended 30 June 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 statement 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 the next twelve months from the date of this statement.

The Authority's financial statements were approved by the Board of Directors on 29 September 2022 and signed on its behalf by:



Gen. (Rtd) Joseph B. E. Kibwana
CHAIRMAN



Amb. John Mwangemi
Ag. MANAGING DIRECTOR

REPORT OF THE AUDITOR GENERAL

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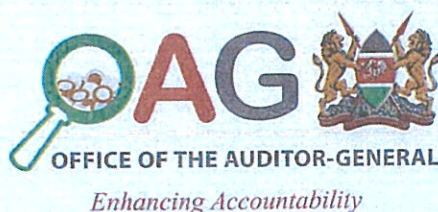
REPORT OF THE AUDITOR GENERAL

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REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA PORTS 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 Ports Authority set out on pages 82 to 151, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Ports Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Ports Authority Act, CAP 391 of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Operating Revenue

The statement of profit or loss and other comprehensive income reflects operating income of Kshs.49,338,782,000 as disclosed in Note 6 to the financial statements. The following observations were made;

1.1 Unconfirmed Stevedoring and Wharfage Collections

Included in the operating income of Kshs.49,338,782,000 are amounts of Kshs.15,191,434,000 and Kshs.14,905,165,000 in respect of stevedoring and wharfage respectively. Review of records and information provided revealed that one company had built a conveyor belt from the quay side that conveys the bulk cargo straight from the vessel to the company's premises without landing on the quay side or being handled by the Kenya Ports Authority. Management indicated that the billing for stevedoring and wharfage is based on manifested quantities. However, landed cargo varies in many instances with the manifested quantities as an industrial practice to cover for the losses that may result from the handling of the cargo and to cushion the consignee from losses. However, the charged stevedoring and wharfage amounts, based on declared manifest quantities, exposed the Authority to possible losses. Management did not explain why the Authority had not installed meters for assurance purposes and confirmation of actual quantities delivered for charging of the stevedoring and wharfage fees.

Further, oil marketers had installed pipelines at the Shimanzi and Kipevu oil terminals for conveying of imported liquid bulk oil and gases to the marketer's storage facilities. However, the Authority charged for stevedoring and wharfage fees based on the manifested quantities instead of actual quantities disbursed. This was occasioned by the Authority's failure to install meters at the dispensing point to confirm the quantities imported and discharged for billing purposes. Records provided by Management revealed that the landed quantities for liquid bulk always provide for up to 5% more than the manifest quantity. However, the Authority charged per the declared manifest, thereby losing material revenue on additional quantities. Failure, by the Authority to install meters or design a control of confirming actual quantities for billing of stevedoring and wharfage for direct delivery is a pointer to weaknesses in the Authority's revenue Management system.

In the circumstances, the completeness and accuracy of stevedoring and wharfage revenue of Kshs.15,191,434,000 and Kshs.14,905,165,000 respectively could not be confirmed.

1.2 Unsupported Hire of Labor and Equipment Revenue

The operating income of Kshs.49,338,782,000 also include hire of labour/equipment revenue amounting to Kshs.206,904,000. However, the amount was not supported by details of when the labour and equipment were released and when the operation was completed to verify the duration billable.

Further, the Authority's tariff book provides for hire of labour for three (3) categories of staff being supervisory, skilled and semi-skilled staff each category with specified rates. However, review of the Authority's bio data, organizational structure and payroll revealed that the three categories consisted of several grades or levels of staff earning different salaries. The Authority therefore may have incurred losses by releasing staff as part of hire of labour whose hourly pay is higher than amount prescribed in the tariff book.

In addition, the Authority implemented wireless broadband at the Port and installed all mobile equipment with network access point with capacity for monitoring the equipment. However, this capacity has not been utilized to confirm the duration each equipment was utilized by the customer and to corroborate the supervisors' reports for billing purposes.

In the circumstances, the accuracy and completeness of the revenue of Kshs.206,904,000 on hire of labor revenue could not be confirmed.

1.3 Non-Collection of Jetty Fees

The operating income of Kshs.49,338,782,000 further includes jetty fees of Kshs.1,137,000. Review of records provided for audit, revealed that there were eighty-two (82) private commercial facilities (jetties) along the Kenyan coastline as per a survey report of 2019. During the year under review, the Authority did not provide evidence of billing or sending demand notes to sixty-five (65) of the facilities for jetty fees as required by Clauses 9.1 and 9.2 of the Authority's tariffs. Out of the seventeen (17) demand notes issued for Kshs.3,346,372, eight (8) with jetty fee of Kshs.2,662,958 did not respond and the same was not billed or captured as debtors.

In the circumstances, the accuracy and completeness of jetty fees revenue of Kshs.1,137,000 could not be confirmed.

1.4 Stevedoring Credit Notes

Included in the operating income of Kshs.49,338,782,000 is an amount of Kshs.15,191,434,000 in respect of stevedoring. However, review of the supporting general ledger indicated that credit notes amounting to Kshs.82,967,434 were posted during the year reversing bills which had already been raised. Management explained that the credit notes were posted to correct errors in the financial system arising from wrong capturing of billing information from Operation Department relayed to the Finance Department.

However, the reversals were not explained and supported by evidence from operations in form of cargo manifest by the departments to justify the reversals.

In the circumstances, the accuracy and completeness of the stevedoring revenue Kshs.15,191,434,000 could not be confirmed.

2. Trade and Other Payables

The statement of financial position reflects trade and other payables of Kshs.10,389,836,000 which, as disclosed in Note 31 to the financial statements, includes other payables balance of Kshs.152,492,000. The latter balance includes an amount of Kshs.2,392,190 in respect of Bandari Maritime Academy students deposit. However, Management did not explain why the balance was not transferred to the Academy during its hand over.

In the circumstances, the accuracy and completeness of Bandari Maritime Academy students' deposits balance of Kshs.2,392,190 could not be confirmed.

3. Administration Expenses

The statement of profit or loss and other comprehensive income reflects administrative expenses of Kshs.4,373,564,000 as disclosed in Note 8 to the financial statements. The following observations were made:

3.1. Unsupported Material Increase in Insurance Premiums

The administrative expenses of Kshs.4,373,564,000 includes an amount of Kshs.733,413,000 relating to insurance premiums representing an increase of Kshs.242,793,000 or 49.4% from Kshs.490,620,000 reported in the previous financial year. Review of records revealed that the increase was because of absorption of the Kenya Ferry Services Limited (KFS) operations (Ferries) and acquisition of additional assets by the Authority during the year under review. However, audit review of the KFS previous years' audited financial statements indicated total insurance costs for the Ferries as Kshs.120,920,000 while payment for the year as reported by the Authority was Kshs.131,126,032. The premium increase of Kshs.10,206,032 was not explained or supported. Further, Management did not provide details of the assets acquired and insurance premium associated with them to justify the material increase in the insurance premium.

In addition, the Authority's assets underwriter entered into the insurance agreement in financial year 2016/2017. However, evidence of having negotiated or requested insurable values of assets adjustment due to depreciation and loss of valued assets was not provided for audit. The Authority continued incurring the same premium cost for a period of over four (4) years despite the insured assets losing value over time.

In the circumstances, the validity of increases in insurance premium cost of Kshs.242,793,000 for the year ended 30 June, 2022 could not be confirmed.

3.2. Expensing of Land Rates Arrears and Payment for Land Not in the Assets Register

The administrative expenses of Kshs.4,373,564,000 also includes an amount of Kshs.62,065,000 in respect of City and Municipal Council rates expenses, out of which Kshs.13,567,205 was in respect of the Kenya Ferry Services land rates. However, included in the land rates expenditure was an amount of Kshs.12,462,429 in respect of arrears for previous years that were expensed during the year under review. Further, the Authority recognised a prepayment of Kshs.6,783,603 instead of Kshs.552,388, hence overstating the prepaid land rates for KFS land by Kshs.6,231,215.

The City and Municipal Council rates expenses of Kshs.62,065,000 further includes an amount of Kshs.2,250,440 in respect of 19 parcels of land which were not in the Authority's assets register. Management indicated that the land rates were paid since the parcels of land were in the name of the Authority and awaiting transfer.

In the circumstances, the accuracy and completeness of City and Municipal rates of Kshs.62,065,000 for the year ended 30 June, 2022 could not be confirmed.

3.3. Irregular Procurement of Consultancy Services for a Transaction Advisor and Sunk Costs

The administrative expenses of Kshs.4,373,564,000 further includes an amount of Kshs.85,731,000 in respect of development studies, out of which Kshs.11,390,247 was in respect of contract No. KPA/PPP/001/2021-2022/CD: Consultancy Services; Transaction Advisory Services for Public Private Partnership Operations of Lamu Port Berth 1-3 and Mombasa Second Container Terminal (CT2) of 21 October, 2021 for USD 2,255,700.

Review of records revealed that in the financial year 2018/2019 the Authority had entered into a similar contract No. KPA/047/2017-2018/CD for consultancy for transaction advisory services for the operation of the first three berths at Lamu Port and related developments for EUROS 695,566.

The following observations were made:

i. Irregular Use of Direct Procurement Method

The Authority used direct procurement method provided under Section 103(2)(d) of the Public Procurement and Asset Disposal Act, 2015 for both consultancies. However, there was no justification in the professional opinion for use of the direct procurement method.

ii. Engagement of the Same Consultant for Provision of Similar Services

The Authority vide letter reference MMN/2/3/10 of 21 October, 2021 sought approval from the Cabinet Secretary, The National Treasury and Planning for the Authority to terminate the negotiations for Public Private Partnership for which the consultancy had been sought. The Principal Secretary, The National Treasury and Planning vide letter reference TNT/PPP/12/8/Vol.I(46) of 22 October, 2022 approved the termination. However, the Authority had entered into a new agreement with the same consultant under contract No. KPA/PPP/001/2021-2022/CD: Consultancy Services; Transaction Advisory Services

for Public Private Partnership Operations of Lamu Port Berth 1-3 and Mombasa Second Container Terminal (CT2). This is a clear indication the Authority had engaged the consultant to provide same/similar services concurrently thus wasting public resources.

iii. Payment for Services Not Provided

The Authority did not provide evidence of the value obtained from contract No. KPA/047/2017-2018/CD for consultancy for transaction advisory services for the operation of the first three berths at Lamu Port and related developments for EUROS.695,566 and where full fees were paid. The services were similar to contract No. KPA/PPP/001/2021-2022/CD: Consultancy Services; Transaction Advisory Services for Public Private Partnership Operations of Lamu Port Berth 1-3 and Mombasa second Container Terminal (CT2) of 21 October, 2021 for USD 2,255,700. As at the time of audit in December, 2022, the Authority had been billed USD 1,094,816 and yet the consultancy services had stalled and no services had been rendered by the Consultant.

iv. Inconsistent Board Decision on Strategic Port Operations

Review of records revealed that the Cabinet Secretary for Transport, Infrastructure, Housing and Urban Development and a shipping company signed a Memorandum of Understanding (MOU) on 16 August, 2020 which allowed the Kenya National Shipping Line Limited (KNSL) to operate from the Port. Following the signing of the MOU, the Board identified Container Terminal 2 (CT2) as the area to be allocated to KNSL to operate. The Government proceeded and allotted Mediterranean Shipping Company (MSC) through a subsidiary 47% stake at the Kenya National Shipping Line to actualize the handover of CT2. The Authority having signed a commercial agreement with MSC, proceeded again to engage a consultant for advisory on Public Private Partnership for the same asset (CT2).

In the circumstances Authority wastefully, incurred costs estimated at Kshs.100,857,070 (EUROS.695,566 at Kshs.145) and Kshs.142,326,080 (USD1,094,816 at Kshs.130), all totalling to Kshs.243,183,150 for which no value for money was obtained and is exposed to losses on litigation for subverting signed agreement with a third party.

3.4. Irregular Engagement of Training Service Providers

During the year under review, an amount of Kshs.28,216,036 was spent on trainings. However, Management did not provide details of how the trainers and training institutions were identified, selected, price determined, and engagement done. Further, the Authority incurred a cost of Kshs.6,031,536 for standard training certification and watch keeping (STCW) which is offered at Bandari Maritime Academy (formerly a training department of the Authority) by engaging a private service provider without any justification.

In the circumstances, the propriety of training expenditure of Kshs.28,216,036 could not be confirmed.

3.5. Unsupported Hire of Commuter Bus Services and Un-Procedural Contract Undertaking

The administrative expenses of Kshs.4,373,564,000 includes an amount of Kshs.165,861,000 incurred on hire of commuter bus service, out of which an amount of Kshs.25,117,200 related to commuter bus service for Nairobi and Naivasha inland container depots. Review of the service contract dated 26 March, 2021 indicated that payment would be made once certification of work done was confirmed and approved by the delegated supervisor. However, Management confirmed and approved bus worksheets for five (5) months, leaving out seven (7) months for which Kshs.14,651,700 was paid at a rate of Kshs.2,093,100 per month.

In the circumstances, the accuracy and occurrence of hire of commuter bus service of Kshs.14,651,700 for the year ended 30 June, 2022 could not be confirmed.

3.6. Unsupported Payment for Hire of Boat Services

The hire of commuter bus services expenditure of Kshs.165,861,000 further includes Kshs.6,230,551 in respect of provision of boat services for the Authority's Lamu Port staff for the months of July, August and September, 2021. However, the payment was not supported by requisition of services, purpose, route and number of trips taken, rate for each of the services provided and evidence of confirmation and approval of services rendered before payment.

Further, details on how the service provider was identified, selected, rates for services determined and engaged through a formal contract which was done in February, 2022 were not provided. In addition, there was no justification for use of the direct procurement method

In the circumstances, the accuracy, propriety, occurrence and value for money for boat services of Kshs.6,230,551 could not be confirmed.

3.7. Irregular Sponsorship of Bandari Football Club

The administrative expenses of Kshs.4,373,564,000 also includes an amount of Kshs.281,879,000 incurred on corporate social responsibility, out of which Kshs.148,367,830 is in respect of expenditure and sponsorship of Bandari Football Club. However, Management did not provide a Memorandum of Understanding between the Authority and the Club.

Review of the football club's financial statements indicated a revenue of Kshs.142,775,717 which varies from the total expenditure of Kshs.148,367,830 reported by the Authority by an unexplained and unreconciled variance of Kshs.5,592,113.

Further, out of the total revenues amount of Kshs.147,523,277 reported in the football club's financial statements, an amount of Kshs.142,775,717 (97%) was sponsorship from the Authority. This is a clear indication that the Club is mainly funded through public resources as defined by Section 2 of the Public Finance Management Act, 2012 and therefore should be audited by the Auditor-General.

In the circumstances, the Management was in breach of the law and the accuracy and completeness of corporate social responsibility expenditure of Kshs.148,367,830 could not be confirmed.

4. Unsupported Operating Expenses on Cleaning Services at Lamu Port

The statement of profit or loss and other comprehensive income reflects operating expenses of Kshs.5,271,439,000 as disclosed under Note 10 to the financial statements out of which Kshs.697,425,000 is in respect of operational/running supplies. Included in the amount is Kshs.18,503,459 in respect of additional caretaker services paid to two (2) service providers for cleaning services at Lamu Port. Review of records revealed that the service providers issued the Authority with invoice No.646 for Kshs.6,000,000 on 22 February, 2022 for additional caretaker services for Lamu Port for 10 months and invoice No. 1045 of Kshs.3,816,715 dated 3 November, 2011 for housekeeping and cleaning services for Lamu for a period of 5 months from June to October, 2021. These invoices were subsequently settled by the Authority. However, Management did not provide details of how the service providers were identified, selected and rates for the services determined. Further, the Local Purchase Orders for the services were issued after delivery of services to the Authority. The vendors were still providing the services in Lamu Port without valid contracts as at the time of audit in the month of December, 2022.

In addition, the service providers were reimbursed a total of Kshs.6,847,297 incurred on purchase of mattresses, bedsheets, food, fresh water, cleaning materials and hire of cleaners. Review of records revealed that the reimbursement was occasioned by additional requirements during the COVID-19 pandemic when a directive for curfew was issued. However, Management did not provide evidence of request and engagement of the service providers, details of how the process were determined and issuance of purchase orders for the same.

In the circumstances, the accuracy, occurrence and propriety of expenditure of Kshs.16,664,012 incurred on landscaping, caretaker and housekeeping services for the year ended 30 June, 2022 could not be confirmed.

5. Establishment Expenses

The statement of profit or loss and other comprehensive income reflects establishment expenses of Kshs.18,561,900,000 as disclosed under Note 9 to the financial statements. The following observations were made:

5.1. Irregular Leased Staff Housing Expenditure

The establishment expenses of Kshs.18,561,900,000 includes an amount of Kshs.35,275,000 in respect of leased staff housing relating to rent expenses incurred by the Authority on behalf of Port Police officers station in Mombasa and rent of Port Management Association of Eastern and Southern Africa offices. Review of records provided for audit revealed that the Authority based the rent payment for Port Police officers on a Memorandum of Understanding signed in 2004 when the police officers were not earning house allowances but were being housed by the Government. However, following the introduction of house allowances for the officers in 2019, the Authority

continued paying rent for the officers attached to the Port Police Station. This resulted in double benefit for the officers.

Further, included in the expense is Kshs.1,440,000 in respect of rent paid on behalf of Port Management Association of Eastern and Southern Africa (PMAESA). However, Article II(2) of the Agreement between the Port Management Association of Eastern and Southern Africa and the Government of Kenya regarding the Headquarters of the association states that, 'all cost relating to the establishment and operation of the Headquarters offices shall be borne by PMAESA.' Management did not explain why the Authority incurred the rent expense on behalf of PMAESA, contrary to the Agreement.

In the circumstances, the propriety of leased staff housing expenditure of Kshs.35,275,000 could not be confirmed.

5.2. Unsupported Duty Travel Expenditure

The establishment expenses of Kshs.18,561,900,000 also includes an amount of Kshs.402,284,000 in respect of duty travel expenses, out of which an amount of Kshs.1,172,719 was not supported by approval or activities and schedule or program of activities to be undertaken. Further, included in the amount is Kshs.629,458 being amount advanced to a staff for payment of outstanding insurance premiums for the defunct Kenya Ferry Services Board of Directors. However, no explanation was provided why insurance premium was being paid in cash and why the same amount was classified as duty travel expenditure.

In the circumstances, the accuracy and propriety of duty travel expenditure of Kshs.1,172,719 could not be confirmed.

6. Unsupported Tax Charge Computation

The statement of profit or loss and other comprehensive income reflects tax charge of Kshs.3,592,225,000 which, as disclosed in Note 18 to the financial statements, is net of an amount of Kshs.134,519,000 described as tax effect of excess capital allowances over depreciation. However, the Authority did not provide the capital allowance (wear and tear) calculation schedule to confirm that the Kenya Ferry Services assets wear and tear allowance was based on the assets cost since no allowance had been claimed by the entity which was making loss.

In the circumstances, the accuracy and propriety of income tax expense of Kshs.3,592,225,000 could not be confirmed.

7. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.304,367,928,000 as disclosed in Note 11 to the financial statements. The following observations were made:

7.1. Kenya Ferry Services Absorption

The property, plant and equipment balance of Kshs.304,367,928,000 includes a balance of Kshs.4,578,589,000 relating to Kenya Ferry Services absorption, being the Net Book Value (NBV) of transferred assets as indicated under Note 39(v) to the financial

statements which further shows that assets had been recorded at book values. The absorption of the property, plant and equipment was done using book values instead of cost and accumulated depreciation thus recognizing the NBV. The disclosure therefore distorted the information contained in the financial statements since it understated the cost and accumulated depreciation of assets absorbed from the Kenya Ferry Services.

In the circumstances, the accuracy and completeness of Kenya Ferry Services absorption balance Kshs.4,578,589,000 could not be confirmed.

7.2. Work-In-Progress – Terminal Operating System Infrastructure

The property, plant and equipment balance of Kshs.304,367,928,000 includes a balance of Kshs.106,859,219,000 in respect of work in progress, out of which Kshs.192,078,087 is in respect of terminal operating system infrastructure. Review of records provided revealed that the asset acquisition was done under contract number KPA/159/2020-21/ICT (Contract for implementation of industrial wireless broadband communication network for Lamu Port) of USD1,121,088 (approximately Kshs.126,727,787) and KPA/161/2019-20/ICT (contract for the implementation of industrial wireless broadband communication network for Mombasa Port and Inland Container Depot (ICD) Nairobi of Kshs.399,514,815). The following observations were made:

7.2.1. Unsupported Service Level Agreement

The contract provided for one-off annual service level agreement at a cost of Kshs.24,000,000. However, Management did not provide an actual Service Level Agreement (SLA) between the parties indicating the following:

- a) Requirements for the service provider services that will be provisioned to the Authority.
- b) Agreed cost for the requirements for the service provider service.
- c) Agreed service targets.
- d) Criteria for target fulfilment evaluation.
- e) Undertakings (Roles and responsibilities of the Authority).
- f) Undertakings (Roles and responsibilities of the Service Provider).
- g) Duration, scope and renewal provisions of this SLA contract
- h) Supporting processes, limitations, exclusions penalties for non-attainment of targets and deviations, among others.

As at the time of audit, Management had not initiated the process of procuring maintenance and service for the implemented system exposing the same to downtime and suboptimal utilization of the same.

7.2.2. Unconfirmed Optimal Sustainability of the Network due to Lack of Spares

The Authority implemented a wireless broadband communication network for Nairobi ICD and Mombasa Port at a cost of Kshs.399,514,815 (VAT inclusive) and Lamu Port at USD1,121,088 (approx. Kshs.126,727,787), all totalling to Kshs.526,242,602. Review of the contract documents revealed a supply of minimum spare parts as part of the contract not adequate to optimally maintain the network in case of equipment failures. However,

the Authority has not engaged the Original Equipment Manufacturer for the network equipment, their authorized dealers or any other supplier for purposes of provision and supply of spare parts as and when they are required. This could result in a total shut down of the system.

In the circumstances, the propriety of the service level agreement cost of Kshs.24,000,000 and optimal availability of Kshs.526,242,602 wireless broadband communication network asset could not be confirmed.

8. Non-Disclosure of Contingent Liability

Note 39 to the financial statements reflects related party transactions amounting to Kshs.3,576,200,000. Additional disclosure on related party transactions under item (i) on Kenya Railways Corporation (KRC) take or pay agreement indicates that the Authority is a guarantor for minimum traffic and commits to pay KRC for any shortfall of the required cargo traffic. As per the Note the maximum reduction of profit or contingent liability for the financial year 2021/2022 (six months – January to June, 2022) is USD 2,258,561 (Kshs.293,612,930 estimated at a rate of Kshs.130 to the US Dollar). However, the actual liability for the 12-month period under review as indicated is USD 4,517,122 (Kshs.587,225,860 estimated at a rate of Kshs.130 to the US Dollar).

Further, the Authority's audited financial statements for the year ended 30 June, 2021 indicated estimated contingent liability of USD 16,855,393(Kshs.2,191,201,090 estimated at a rate of Kshs.130 to the US Dollar), bringing the total cumulative contingent liability to USD 19,113,954 (Kshs.2,484,814,020 estimated at a rate of Kshs.130 to the US Dollar). However, Management did not explain why the whole amount of contingent liability was not disclosed in the financial statements.

In the circumstances, the accuracy, completeness and validity of the contingent liability balance of USD 2,258,561(Kshs.293,612,930 estimated at a rate of Kshs.130 to the US Dollar) could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Ports 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

Merger of Kenya Ports Authority and Kenya Ferry Services Limited

I draw your attention to Note 39(v) to the financial statements on related party transactions which indicates that the functions, assets and liabilities of the Kenya Ferry Services (KFS) were transferred to the Kenya Ports Authority (KPA) with effect from 1 July, 2021. This resulted in the creation of Ferry Services and Engineering Department in the Authority's structure. Further, all KFS staff were absorbed into the newly approved staff establishment of KPA.

In addition, all transactions of KFS were reported under KPA with KFS assets and liabilities recorded using the book values as stated in the audited financial statements for the year ended 30 June, 2021 pending revaluation of the assets.

My opinion is not qualified in respect of this matter.

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.

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. Contract for Provision of Portable Water at Lamu Port

The Authority invited a local supplier to quote for supply of portable water at the Port of Lamu vide letter ref PSM/CTC/1/01/Vol.1 (044) of 15 October, 2019 under tender number KPA/044/2019-20/GMID-provision of portable water at Lamu Port. However, Management did not provide any justification for undertaking the direct procurement as required by Section 103(2) b of the Public Procurement and Asset Disposal Act, 2015. The Authority appointed a negotiation committee and the negotiation committee minutes of 19 December, 2019 stated that 'the quoted price was Kshs.450 per cubic meter for volume between 300 cubic meters and 1,200 cubic meters which the committee accepted and proposed adoption of the negotiation report and award of the tender at the quoted rate of 450 per cubic meter.

However, the Head of purchase and supply chain through letter reference PSM/CTC/1/01/Vol.1 (044) Vol.1 to the General Manager Infrastructure and Development communicated cancellation of the tender due to expiry of tender validity period. Further, Memo No. 055_2019-20, the professional opinion indicated request for cancellation of tender which had been negotiated at Kshs.450 per cubic meter due to tender validity period expiry which was approved by the Managing Director and communicated to the tenderer vide letter ref. PSM/CTC/1/03 (044) VOL.1 of 27 March, 2020.

Following the cancellation of the first tender, the Head of procurement unit through Memo No. 134-2020-21 dated 19 May, 2021 requested the Managing Director for approval of direct procurement citing provision of Section 103(2) of the Public Procurement and Asset Disposal Act, 2015 which was not applicable to the stated procurement. The request was approved and the same company whose bid had been cancelled was invited on

3 June, 2021 to quote through tender KPA/203/2020-21/GM - supply of portable water Lamu Port. This was contrary to Section 103(2) b of the Public Procurement and Asset Disposal Act, 2015 which in part states that 'urgency can only be allowed provided that the circumstances giving rise to the urgency were neither foreseeable by the procuring entity nor the result of dilatory conduct on its part'.

Further, the bid documents did not require the bidder to provide evidence for qualification to undertake civil works and electrical works – registration by National Construction Authority yet the tender document included civil, electrical and building and construction works.

Following the invitation, the bidder quoted Kshs.260,796,969 for construction of the water desalination plant (civil, electrical and building and construction works) and Kshs.1,000 per cubic meter for production, distribution and maintenance of reservoirs and reticulation pipes. The quoted price was Kshs.650 per cubic meter higher than the price earlier negotiated of Kshs.450 per cubic meter.

The Authority signed the contract on 14 December, 2021 with the supplier for construction of a desalination plant at a price of Kshs.260,796,969 at the port of Lamu and for Kshs.1,000 per cubic meter for production and distribution of the water with a minimum production of 1,000 cubic meters per day for a period of 15 years. The Management did not provide any justification and determination of 1,000 cubic meter (1,000,000 liters) of water quantity per day considering the Lamu port operation has less than 300 staff.

The Authority's decision to cancel the original contract that had been negotiated and accepted by the bidder at Kshs.450 per cubic meter will result in a daily loss of Kshs.650,000 totalling to an annual loss of Kshs.237,250,000 at a 1,000 cubic meter production.

In the circumstances, the Management was in breach of the law and exposed the Authority to an estimated Kshs.237,250,000 annual loss for 15 years.

2. Non-Compliance with Gender Composition Requirements

Review of the staff biodata provided revealed that the Authority had a total of 6,755 staff as at 30 June, 2022 out of whom 5,287 (78%) were of male gender while 1,468 (22%) were of female gender. This is contrary to Paragraph B.22 (2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016 which states that "the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than two thirds of positions in its establishment are filled by either gender".

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

3. Staff Earning Less than One Third of Basic Pay

Review of the payroll data provided revealed that, during the year under review, a total of 388 employees committed their salary beyond the two thirds of the basic, contrary to Section 19(3) of Employment Act, 2007 which states that employees' take home salary must not fall below one third (1/3) of the basic salary. Further, Paragraph C.1(3) of the Public Service Commission Human Resource Policies and Procedures Manual, 2016

states that Public Officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

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

Review of the Authority's approved staff establishment revealed that the Authority had a total of 6,755 employees as at 30 June, 2022, out of whom 2,317 (34.3%) were from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5. Irregular Procurement of Air Tickets for Volleyball Team to Tunisia

During the year under review, the Authority paid a total of Kshs.2,897,551 (USD 25,035) to an international airline for procurement of air tickets for the volleyball team to Tunisia to participate in the 2022 Men's African Club Championship from 5 May to 18 May, 2022. The procurement for the tickets was done using the direct procurement method citing justification of saving on costs considering that there was already a supplier contracted for the provision of the air travel services for official duty. However, there was no official documentation on how the airline was engaged. Further, there was no report for the direct procurement to the Public Procurement Regulatory Authority as required under Regulation 90(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020.

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

6. Failure to Conduct a Training Needs Assessment

The statement of profit or loss and other comprehensive income reflects administrative expenses amounting to Kshs.4,373,564,000 which include training costs of Kshs.315,142,000 as disclosed in Note 8 to the financial statements. However, no evidence was provided to indicate that a training needs assessment was conducted in the previous year and that the trainings undertaken were based on the training needs assessment.

Further, review of training records provided revealed that out of the Authority's staff establishment of 6,755 employees, 1,876 were trained with 181 of them being trained more than once. However, the mode of selection of the staff to be trained was not indicated, contrary to Guideline 4.1.1 of the guidelines of managing of training in the public service on guiding principles in nomination for courses.

In the circumstance, Management was in breach of the regulations.

7. Irregular Execution of Commuter Bus Service Contract for Lamu Port

The administrative expenses of Kshs.4,373,564,000 include hire of commuter bus service costs of Kshs.165,861,000. The Authority engaged a service provider for provision of transport services in Lamu Port through direct procurement. However, review of records provided for audit revealed that the contracted service provider subcontracted third party

bus owners for provision of the service to the Authority. This is a clear indication that the contracted service provider did not have the capability of provision of the service.

Audit inspection exercise carried out on 5 December, 2022 revealed that one commuter bus had an insurance certificate that had expired ten (10) days earlier. However, the bus continued providing transport services to the Lamu Port staff exposing them to risk in case of an accident.

In the circumstances, Management was in breach of the law and exposed its staff to peril through use of uninsured means of transport.

8. Management and Implementation of Civil Works Maintenance

The statement of profit or loss and other comprehensive income reflects operating expenses amounting to Kshs.5,271,439,000 which, as disclosed in Note 10 to the financial statements, includes an amount of Kshs.566,958,000 relating to repairs – port infrastructure. Review of the processes and procedures for maintenance and repairs of port infrastructure revealed that the works are procured through the use of biennial contracts for various works which were signed by the Authority in the financial year 2015-2016. The contracts have been extended due to delays in undertaking a procurement process to identify and select a new supplier through a competitive process. However, despite the changes in prices of items quoted and inflation among other factors, the prices are still in force, an indication of possible inflated prices when the agreements were signed.

Further, Management did not provide details of how the contractors were selected from the list of those prequalified to undertake repairs to ensure fairness in distribution of the works.

In the circumstances, value for money and fairness in distribution of repairs and maintenance works could not be confirmed.

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 matters 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

1. Irregular Promotions of Staff

Review records provided revealed that the National Treasury through letter ref No. TNT/CONF/16/01 dated 12 April, 2022 directed the Managing Director to promote a total of forty-one (41) Management staff. However, it was not clear how the list of staff to be promoted originated from The National Treasury yet the Kenya Ports Authority Act, 2012 gives powers to the Managing Director and the Board, in consultation with the Minister responsible for the State Corporation, to make alteration in salaries and other terms and conditions of service of employees.

In the circumstances, the Ministry usurped the powers of the Board and directed the Authority's Board on managerial decisions.

2. Manual Processing of Revenue Information

During the year under review, the Authority received revenues from pilotage of Kshs.614,971,000, tug services dues of Kshs.1,792,308,000, mooring of Kshs.335,639,000, navigational dues of Kshs.264,024,000, port dues of Kshs.591,804,000 and dockage of Kshs.607,508,000. Review of the revenue generation, recording and billing of these revenues revealed that the following weaknesses.

- a) On provision of services to a vessel by the Authority, details of the services are recorded manually on pilot log sheets by the pilot attending the vessel. The information is manually collated and posted in the terminal operating system. The Authority acquired and still retains and pays annual licenses to Vessel Traffic Management System (VTS) that should capture the indicated date and the same integrated with the main financial operating system. However, despite continued maintenance and payment of annual licenses the VTS does not offer the expected services leaving the Authority process prone or exposed to errors through manual data capture.
- b) The current KPA tariff charges pilotage services per movements of the respective vessels. However, available information revealed that gas tankers take more time to navigate and maneuver within the harbor limits. Pilots end up spending more time providing services to a single Tanker at the expense of others. This is a clear indication of unfair tariff provision for same service which may result in lost revenue if alternative charge models, like duration or on hourly basis are not applied.
- c) Final billing records provided for audit indicated that some final bills are prepared long after the vessel has sailed away or departed, contrary to requirement for collection of all bills before departure by the vessels.

In the circumstances, the Authority's processes and procedures for pilotage, tug services dues, mooring, navigational dues, port dues and dockage are weak which exposes the Institution to errors and losses.

3. Unconfirmed Seaworthiness of Marine Vessels

The Authority took over operation of seven (7) ferries whose hull and machinery value as per the insurance records provided is Kshs.3,710,829,709 out of which three (3) are over

thirty (30) years old. However, the Management did not provide evidence of seaworthiness of the marine vessels which are used to ferry citizens across the Likoni channel.

In the circumstances, the users of the ferries are exposed to risk of loss of life or accident without compensation.

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 the Board of Directors

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause 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.

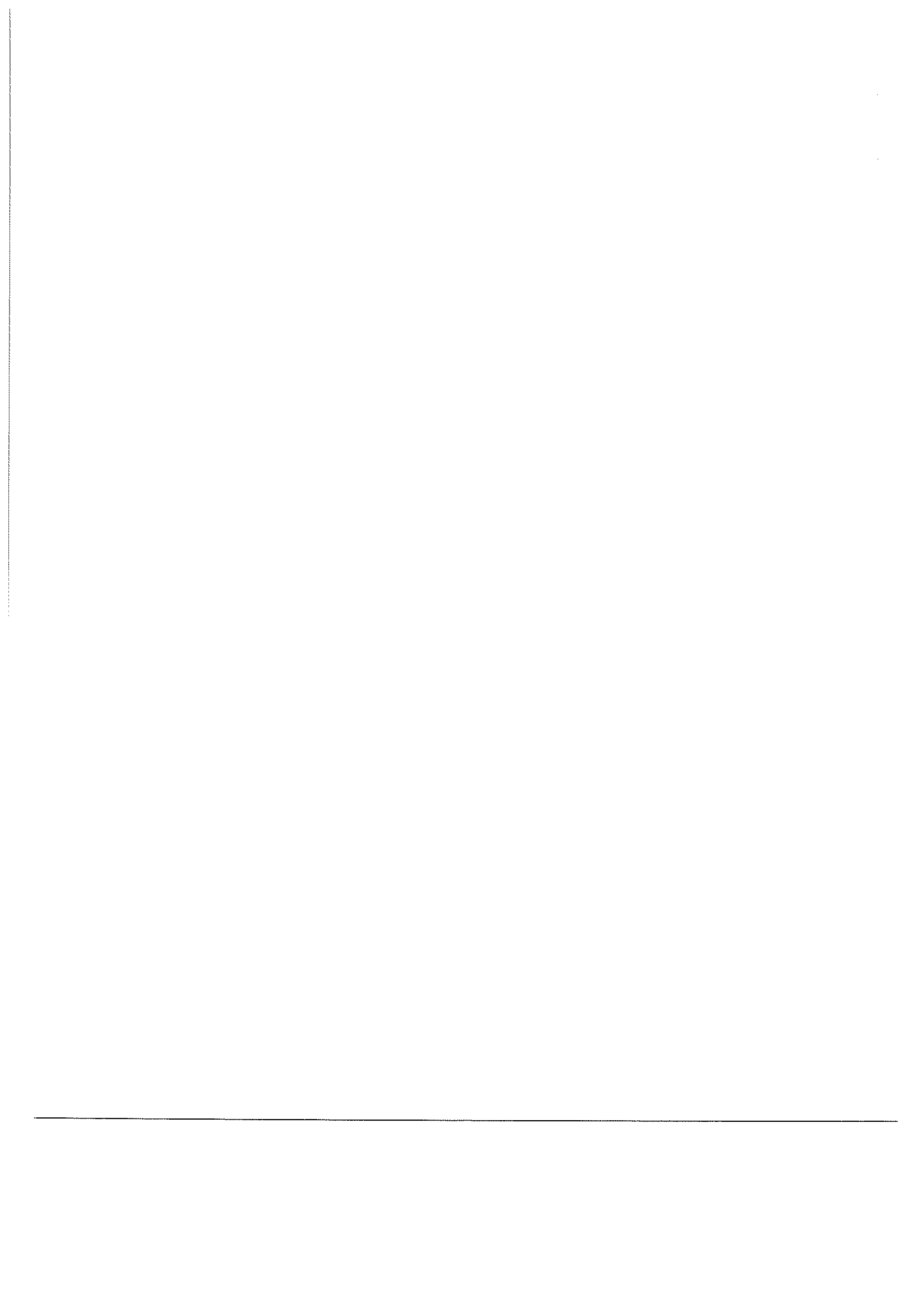
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

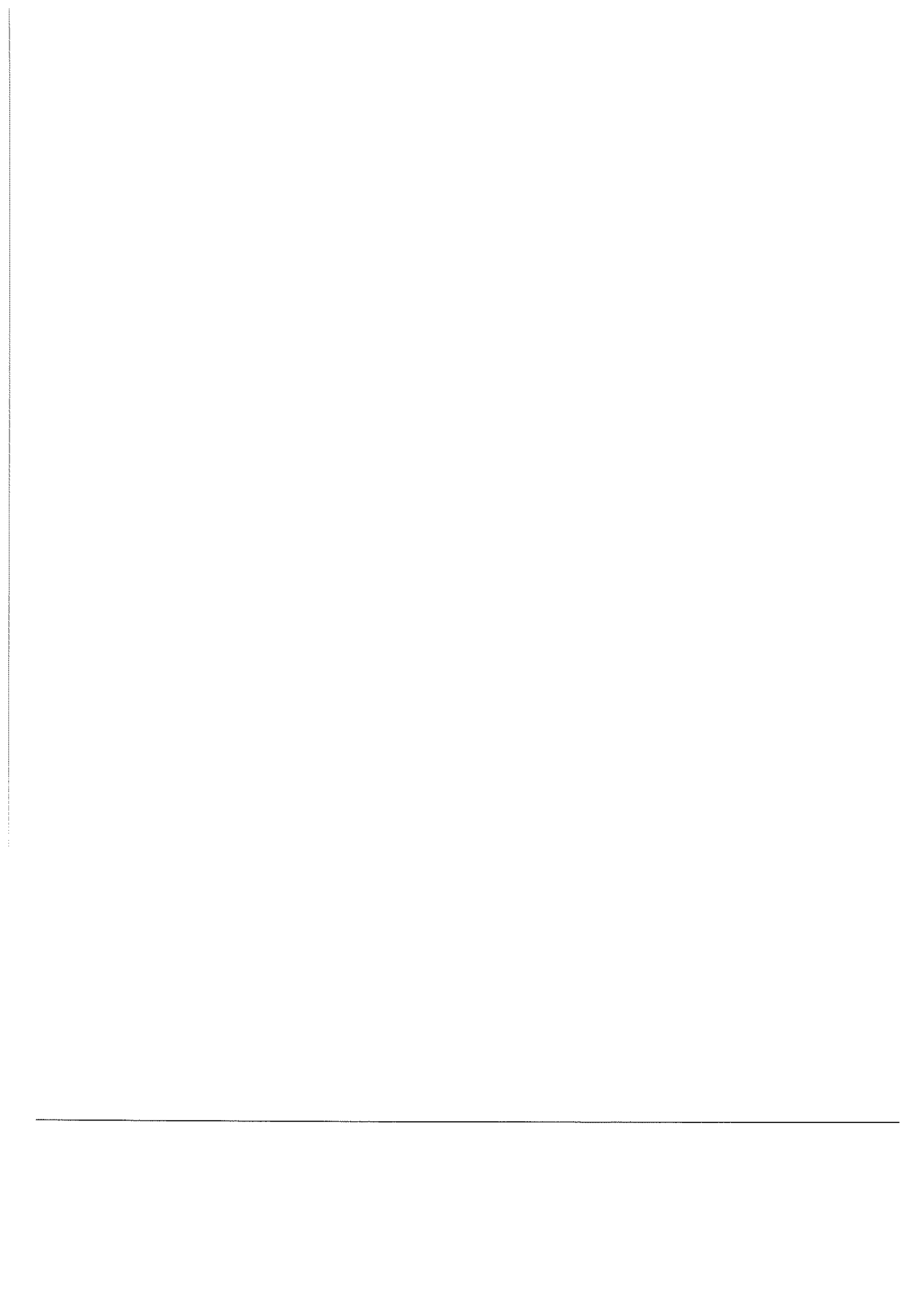
Nairobi

15 June, 2023



**STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

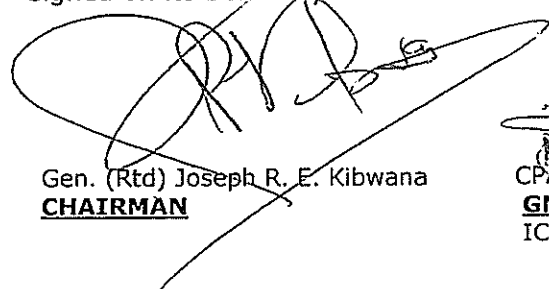
	Note	2021/2022 KES '000	2020/2021 KES '000
Operating Revenue	6	49,338,782	52,130,085
Other Incomes	7	1,300,276	720,475
Total Revenues		50,639,058	52,850,560
Less Expenses:			
Administrative Expenses	8	(4,373,564)	(4,429,215)
Establishment Expenses	9	(18,561,900)	(17,906,332)
Operating Expenses	10	(5,271,439)	(5,284,137)
Depreciation Property, Plant and Equipment	11,12	(11,484,778)	(11,277,393)
Amortization of Intangible Assets	13	(254,952)	(423,067)
Total Operating Expenses		(39,946,633)	(39,320,144)
Operating Profit		10,692,425	13,530,416
Finance Income	14	166,878	167,636
Finance Cost	15	(130,012)	(139,910)
Impairment Gain/(Loss)	16	55,071	(243,118)
Other Gains	17	497,906	502,796
Profit Before Tax		11,282,268	13,817,820
Tax Charge	18	(3,592,225)	(5,978,260)
Profit for the Year		7,690,043	7,836,560
Other Comprehensive Income (OCI)			
OCI not to be reclassified to Profit or Loss in subsequent years			
Deficit resulting from Pension Valuation	32	0	(4,111,400)
Gain/effect on KFS merger-Shareholding		399,904	0
OCI to be reclassified to Profit or Loss in subsequent years			
Unrealized Foreign Exchange Gain/(Loss)	26	4,574,070	(766,610)
Unrealized Forex from Valuation of Loans	29	5,340,098	964,169
Earning reported after above adjustments		18,004,115	3,925,719



**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

		2021/2022	2020/2021
	Note	KES '000	KES '000
Non-Current Assets:			
Property Plant and Equipment	11	304,367,928	278,119,616
Assets Held for Sale	19	237,993	0
Intangible Assets	13	811,788	987,687
Leased Property	12	916,728	648,215
Long Term Investment	20	1,048,283	1,035,690
Total Non- Current Assets		307,382,720	280,791,208
Current Assets:			
Inventories	21	584,735	443,609
Receivables and Prepayments	22	24,014,785	19,881,232
Tax paid in advance	23	2,158,488	265,685
Short Term deposits	24	840,860	374,054
Bank & Cash Balances	24	3,422,167	2,459,942
Total Current Assets		31,021,035	23,424,522
TOTAL ASSETS		338,403,755	304,215,730
Capital and Reserves:			
Revaluation Reserves	25	85,791,507	93,784,610
General Reserves	26	128,004,594	97,076,196
Grants	27	8,895,947	2,015,030
Total Capital and Reserves		222,692,048	192,875,836
Non-Current Liabilities:			
GOK Project Funds	28	47,850,157	43,386,157
Borrowings	29	47,784,967	39,919,684
Deferred tax Liability	30	4,618,202	7,310,667
Retirement Benefit Liability	32	3,041,000	3,576,200
Total Non- Current Liabilities		103,294,326	94,192,708
Current Liabilities			
Borrowings	29	1,492,345	1,258,939
Trade and Other Payables	31	10,389,836	15,353,047
Retirement Benefit Liability	32	535,200	535,200
Total Current Liabilities		12,417,381	17,147,186
TOTAL CAPITAL & LIABILITIES		338,403,755	304,215,730

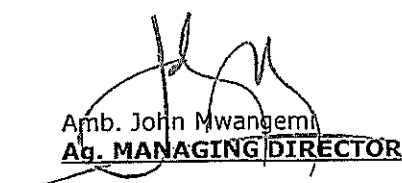
The financial statements were approved by the Board of Directors on 29 September 2022 and signed on its behalf by



Gen. (Rtd) Joseph R. E. Kibwana
CHAIRMAN



CPA Geoffrey Kavate
GM, FINANCE
ICPAK M/No: 6399



Amb. John Mwangemi
Ag. MANAGING DIRECTOR

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	Revaluation Reserves KES'000	General Reserves KES '000	Grants KES '000	Total KES '000
Balance as at 01.07.2021		93,784,610	97,076,196	2,015,030	192,875,836
Profit After Tax		0	7,690,043	0	7,690,043
Other Comprehensive Income;					
Unrealized Foreign Exchange Gain		0	4,574,070	0	4,574,070
Others;					
Revaluation Effect/Adjustments	25	(8,423,528)	8,423,528	0	0
Other Adjustments		0	1,780	0	1,780
Transfer of Bonus to Reserve		0	1,151,415	0	1,151,415
Transfer/effect of KFS merger		430,425	742,516	4,145,139	5,318,080
Effect of Deferred Tax			2,692,464		2,692,464
Free trade Area		0	0	1,000,000	1,000,000
Revaluation Gain on Loans	26	0	5,340,098	0	5,340,098
Grants		0	312,484	1,735,778	2,048,262
Balance as at 30.06.2022		85,791,507	128,004,594	8,895,947	222,692,048

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Revaluation Reserves KES '000	General Reserves KES '000	Grants KES '000	Total KES '000
Balance as at 01.07.2020		103,132,900	80,874,208	3,468,561	187,475,669
Profit After Tax		0	7,839,560	0	7,839,560
Other Comprehensive Income;					
Unrealized Foreign Exchange Loss		0	(766,610)	0	(766,610)
Others;					
Revaluation Effect/Adjustments	25	(9,348,290)	9,348,290	0	0
Other Adjustments		0	16,366	0	16,366
Increase in Pension Deficit		0	(1,004,600)	0	(1,004,600)
Grants	27	0	1,475,217	(1,453,531)	21,686
Revaluation effect of JICA Loan	26	0	964,169	0	964,169
Transfers due to Disposal		0	(1,670,404)		(1,670,404)
Balance as at 30.06.2021		93,784,610	97,076,196	2,015,030	192,875,836

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2021/2022 KES '000	2020/2021 KES '000
OPERATING ACTIVITIES:			
Cash Generated from Operations	33	19,949,253	23,251,045
Interest Received	14	166,877	167,636
Interest Paid	15	(18,512)	(18,119)
Tax Paid	23	(5,450,664)	(3,194,722)
Special Dividend paid	38	0	(4,950,000)
Pension paid		(535,200)	(535,200)
Pension reimbursement		0	39,277
Net cash generated from Operating Activities		14,111,754	14,759,917
INVESTING ACTIVITIES:			
Purchase of Property, Plant and Equipment	36	(30,899,488)	(24,048,019)
Direct Acquisitions Property, Plant and Equipment		(706,893)	(255,339)
Proceeds from Disposal of Assets		9,860	4,769
Purchase of Long-Term Investment	20	(12,593)	(360,478)
Transfer of SBM deposits to short term deposits		0	374,054
Proceeds from sale of Surveyed Stock		0	1,000
Net Cash used in Investing Activities		(31,609,114)	(24,284,013)
FINANCING ACTIVITIES:			
Receipt of GoK Project Funds	37	5,464,000	6,000,000
Receipts from Stanbic Loan	29	4,768,204	0
Payment of JICA I Loan	29	(396,043)	(455,548)
Receipt of JICA II Loan	29	9,090,230	2,642,866
Net Cash generated from Financing Activities		18,926,391	8,187,318
Net increase in Cash & Cash Equivalent		1,429,031	(1,336,778)
Cash & Cash Equivalents as at 1 July		2,833,996	4,170,774
Cash and Cash Equivalents as at 30 June	24	4,263,027	2,833,996

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

	Final Budget 2021/2022 KES '000	Actual on Comparable Basis 2021/2022 KES '000	Performance Difference 2021/2022	
			KES '000	%
Revenue				
Operating Revenue	53,490,686	49,338,782	(4,151,904)	-7.76%
Other Incomes	630,620	1,300,276	669,656	106.19%
Total Revenues	54,121,306	50,639,058	(3,482,248)	-6.43%
Expenses:				
Administrative Expenses	(5,283,109)	(4,373,564)	909,545	-17.22%
Establishment Expenses	(19,945,316)	(18,561,900)	1,383,416	-6.94%
Operating Expenses	(6,477,882)	(5,271,439)	1,206,443	-18.62%
Depreciation & Amortization	(11,280,000)	(11,739,730)	(459,730)	4.08%
Total Operating Expenses	(42,986,307)	(39,946,633)	3,039,674	-7.07%
Operating Profit	11,134,999	10,692,425	(442,574)	-3.97%
Finance Income	203,000	166,878	(36,122)	-17.79%
Finance cost	(240,873)	(130,012)	110,861	-46.02%
Impairment Gain	(50,000)	55,071	105,071	-210.14%
Other Gains	0	497,906	497,906	
Profit Before Tax	11,169,126	11,282,268	235,142	2.11%

Note: PFM Act section 81(2) ii and iv requires Kenya Ports Authority, a national government entity, to present appropriation accounts showing the status of votes compared with the appropriation for the vote. IFRSs does not require entities complying with IFRSs to prepare budgetary information because most of the entities that apply IFRSs are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRSs compliant financial statements and a statement explaining any variations between actual expenditure and the sums voted.

Explanation of variations of 10% over/under between actual and final budgeted amounts are provided under Appendix I.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. General Information

Kenya Ports Authority is established by and derives its authority and accountability from Cap 391 of the laws of Kenya. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to develop, maintain, operate, improve, and regulate all scheduled seaports along Kenya's coastline and inland waterways in Kenya.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance & Basis of Preparation

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and the International Financial Reporting Standards (IFRSs). The preparation of financial statements in conformity with IFRSs allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Authority's accounting policies.

Where necessary the comparative figures for the previous financial year 2020/2021 have been stated in the financial statements to conform to changes in presentation.

The financial statements were approved by the Board of Directors on 29 September 2022.

The accounting policies applied in the preparation of these financial statements are set out below. The Authority adopted all the new and revised IFRS as adopted by the PSASB and IASB that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. The adoption of the standards did not have a material effect in the financial statements.

The financial statements are prepared and presented in Kenya Shillings (KES), which is the functional and reporting currency of the Authority, and all values are rounded to the nearest thousand (KES '000). The financial statements are prepared on historical cost basis except for the recognition at fair value of financial instruments, impaired assets at their estimated recoverable amounts and actuarially determined assets at their present value.

Going concern

Based on the financial performance of the Authority and the risk management policies, the Board is of the opinion that the Authority is well placed to continue business in the foreseeable future. The financial report is therefore prepared on the going concern basis, which contemplates the continuity of normal business activities, the realization of assets and the settlement of liabilities in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Application of New and Revised International Financial Reporting Standards (IFRS)

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

At the reporting date certain new standards, amendments to the existing standards and interpretations have become mandatory. No standard, amendments or interpretations are expected to have a material impact.

Amendments to IAS 16; Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)

Description: The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

Effective date: The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Amendment to IFRS 9; Fees in the '10 per cent' Test for De-recognition of Financial Liabilities

Description: The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Effective date: The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Amendments to IAS 1; Classification of Liabilities as Current or Non-current (issued in January 2020)

Description: The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Effective date: The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Amendments to IAS 1; Disclosure of Accounting Policies (issued in February 2021).

Description: The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

Effective Date: The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022 (Cont'd)

IAS 12 – Income Taxes

Description: IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

Effective Date: Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

IAS 8 - Accounting Policies, Errors, and Estimates

Description: The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities.

Effective Date: The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

ii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

4. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these Financial Statements are set below;

(a) Revenue Recognition

IFRS 15 replaced the previous revenue recognition requirements in IAS 18 Revenue and applies to all revenue arising from contracts with customers. According to the new standard, revenue is recognized when a customer obtains control of the goods or services.

Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

It is stated net of Value Added Tax (where applicable), rebates and trade discounts. Discounts are included as part of finance costs.

The Authority's revenue mainly consists of revenue from port related services and lease rentals. Where the Authority is an agent between a service provider and the end customer, an administrative fee is recognized as revenue on satisfaction of the performance obligation.

Revenues earned by the Authority are recognized on the following basis;

Sale of services are recognized upon performance of the services and customer acceptance. The Authority only bills once the consignee for the cargo has been determined and upon lodgment of customs approved documents. It is only then that it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably.

Rental income is recognized at the time of billing as per the effective lease agreements. Where lease agreements are under preparation, billing is based on letters of offers, signed, and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

Finance income comprises of Interest receivable from bank deposits and investments in securities and is recognized in profit or loss on a time proportion basis using the effective interest rate.

(b) Property, Plant and Equipment

All categories of property, plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment. All items in an asset category are re-valued every 5 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Summary of Significant Accounting Policies (Cont'd)

Property, Plant and Equipment (Cont'd)

The categories of assets listed below were last re-valued in financial year 2018/2019: -

- Land and Buildings
- Plant and Equipment
- Basic Constructions
- Services and systems
- Intangible Assets

The exercise was undertaken by M/s Sec & M Limited. Details and qualification for the director of M/s Sec & M Ltd are;

- Director Name; H.M. Kaburu,
- M.A. (Valn & Ppty Mgmt.) University of Nairobi, MRICS No. 1280168
- B.A Land Econ (Hons) University of Nairobi, MISK No. 690, REA
- NEMA EIA/EA Lead Expert No 1025
- Chartered Valuation Surveyor/RV 405

The methodology, basis of valuation and significant assumptions made were in accordance with the procedures and guidelines as laid down by the international Assets Valuation Standards Committee. M/s Sec & M Co. Ltd valuations and appraisals are carried out in accordance with the RICS Appraisal and Valuation Standards and are Uniform Standards of Professional Appraisal Practice (USPAP) compliant. The valuer therefore considers all the three approaches to valuation.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit or loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognized in other comprehensive income.

All other decreases are charged to the Statement of Profit or Loss and Other Comprehensive Income. Annually, the difference between depreciation charge based on the valued carrying amount of the asset charged to the Statement of Profit or Loss and Other Comprehensive Income and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

(c) Depreciation and impairment of property, plant, and equipment

Freehold land and capital works in progress are not depreciated. Capital works in progress relates to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is calculated using the straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

Summary of Significant Accounting Policies (Cont'd)

Depreciation and impairment of property, plant, and equipment (Cont'd)

	Rate
Dredging/reclamation	2.5%
Building commercial and non-commercial	2.5%
Rail lines	2.5%
Roads and Bridges	2.5%
Quays/wharves	2.5%
Berthing Tugs	5%
Pilot & Mooring Boats and Navigational Aids	10%
Cranes	10%
Forklifts/Reach takers	20%
Tractors/Trailers	20%
Vehicles	20%
Equipment	20%
Furniture	20%
Data processing equipment	33.33%
Software/ Intangibles	33.33%

Depreciation is charged from the date of asset recognition and ceases on the date of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

(d) Impairment of non-financial assets

Non-financial assets that are carried at amortized cost are reviewed at the end of each reporting period for any indication that an asset may be impaired.

If any such indication exists, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Summary of Significant Accounting Policies (Cont'd)

(e) Intangible Assets

Intangible assets comprise purchased computer software licenses and other software, which are capitalized based on costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

(f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

(g) Assets Held for Sale

Non-current assets held for sale (or disposal) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at Net Book Value.

(h) Leased Property

Standalone properties for which lease rentals are received are treated in the Statement of Financial Position according to the nature of the asset.

(i) Retirement Benefits

The Authority operates a defined benefit and defined contribution plans for eligible employees. The Authority is running the two schemes in parallel with intention of facing out the defined benefit scheme in the long run.

The defined benefit scheme was closed effectively on 31st December 2012 to new entrants and future accrual of benefits for members below age 45 as at 31st December 2011 and also those above age 45 who opted to accrue their future service benefits in the new defined contribution scheme.

In addition, the Authority's makes contributions to the Social Security Fund for employees other than those covered under the retirement benefit scheme and those in other countries of operation, which are statutory, defined. The Authority's obligations under these schemes are limited to specific contributions as legislated from time to time.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Summary of Significant Accounting Policies (Cont'd)

(u) Grants from donors and the National Government

The grants are received in form of direct payments to suppliers or contractors for the construction of specific capital projects of the Authority. The grants are recognized in the Statement of Financial Position and realized in the Statement of Profit or Loss and Other Comprehensive Income over the useful life of the assets.

(v) Comparative figures

Where necessary the comparative figures for the previous financial year 2020/2021 have been amended to conform to changes in presentation.

(w) 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 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5. Significant Judgements and Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances that prevailed during the period.

The Board has reassessed its assumptions and estimates used in the measurement of assets and liabilities at the reporting date against the background of the effects of COVID-19 pandemic. There is no indication of any significant impairment or valuation risks for existing receivables and other assets or liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

In the process of applying the Authority's accounting policies, management has made judgment in determining.

- The depreciation rates and impairment of PPE, PPE balances represent a significant component of the Authority's assets. PPEs are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. The management reviews the estimated useful lives of property, plant and equipment on an annual basis based on factors such as expected level of usage, forecasts, and assumptions. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above.
- Basis of Valuation and fair value measurement – in estimating the fair value of assets and liabilities, management uses market observable data where available. Where not available the management uses value of identical assets and liabilities or engages a third party to perform the valuation.
- ECL of Trade receivables: At each reporting date, the Authority assesses whether trade receivables are credit- impaired. Management makes judgement on the collectability of individual customer accounts taking into consideration the credit worthiness and financial condition of those customers. The Authority also records an allowance for receivables based on management's collective assessment of their collectability taking into consideration e factors such as including historical experience of credit losses, and the aging of the receivables with allowances generally increasing as the receivable ages.
- The amortization of Intangible assets
- The impairment of long-term investments in Kenya National Shipping Line, Consolidated Bank, and deposits in Chase Bank Ltd in receivership-KDIC,
- Provisions for obsolete inventory,
- Deferred tax liabilities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Significant Judgements and Sources of Estimation Uncertainty (Cont'd)

- The recognition of Retirement Benefit Asset/Liability, Judgments required by actuaries in respect of discount rates, future salary increments, mortality rates and inflation rates used for computation of defined benefit liability.
- Deferred tax liabilities
- **Chase Bank (IR) and SBM Bank Deposits**

Chase Bank Ltd. was placed under receivership in April 2016 by Central Bank of Kenya. The Authority's Board made a 25% impairment provision on the deposits during the 336th regular meeting held in December 2017. Cash deposits including interest amounting to KES 1,175 million previously held with Chase Bank Kenya (In Receivership) were remitted to the Authority in FY 2018/2019. The remaining balance which was classified as short-term deposits earning interest at 6.3% per annum. The first portion was released in August 2019 while the second portion in August 2020 and the final balance was released in August 2021.

- **Revenue Recognition**

As stated in Note 4 (a) on Sales of services Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Authority's activities. It is recognized when it is probable that future economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

On rental income, where lease agreements are under preparation, billing is based on letters of offers, signed, and accepted by the tenants. A signed letter of offer is a commitment from the tenant.

- **Contingent Liabilities**

The management consults with its legal counsel on matters related to litigation, and other experts both within and outside the Authority with respect to matters in the ordinary course of business. As at the reporting date, the Authority was involved in various legal proceedings where it has been vigorously defending its claims. Assessment on whether the risk of loss is remote, possible, or probable requires significant judgment given the complexities involved.

- **Accounting for leases**

Accounting for leases under IFRS 16 involves the use of judgements, estimates and assumptions that impact the amounts recognized as right-of-use assets and lease liabilities. The Authority does not also recognize leases of low-value assets and or leases it has no right of control on the Statement of Financial Position, but instead recognizes an expense on a straight-line basis.