

REPUBLIC OF KENYA



PARLIAMENT  
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OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
STATE DEPARTMENT FOR MARITIME  
AND SHIPPING AFFAIRS**

**FOR THE YEAR ENDED  
30 JUNE 2017**

**MINISTRY OF TRANSPORT,  
INFRASTRUCTURE, HOUSING AND  
URBAN DEVELOPMENT**





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**MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING & URBAN DEVELOPMENT**

**STATE DEPARTMENT FOR  
MARITIME & SHIPPING AFFAIRS**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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

**State Department For Maritime & Shipping Affairs**  
**Reports and Financial Statements**  
**For the year ended June 30, 2017**

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The State Department for Shipping & Maritime Affairs was established through an Executive Order No. 1/2016 of May 2016 and its mandates include: Promotion of maritime and shipping industry; ship registration in Kenya; Human Resource Development, Management and Research in support of Kenya's Shipping Industry; Marine cargo insurance; Establishment of effective admiralty jurisdiction and Development of a central data and information centre. These mandates have been domiciled in three institutions namely: Bandari College; The Kenya National Shipping Line; and The Merchant Shipping Act, Cap.389.

### **Vision, Mission, Mandate and Core Values**

#### **Vision**

“A leader in the promotion of maritime and shipping affairs”

#### **Mission**

“To promote and develop Maritime and Shipping Industry in Kenya through policy formulation and implementation, coordination and fostering regional and global cooperation”

#### **Mandate**

- Promotion of Maritime and shipping Industry;
- Ship Registration in Kenya;
- Marine Cargo Insurance;
- Establishment of Effective Admiralty Jurisdiction;
- Development of a Central Data and Information Centre; and
- Human Resource Development, Management and Research in Support of Kenya's Shipping Industry.

#### **Core Values**

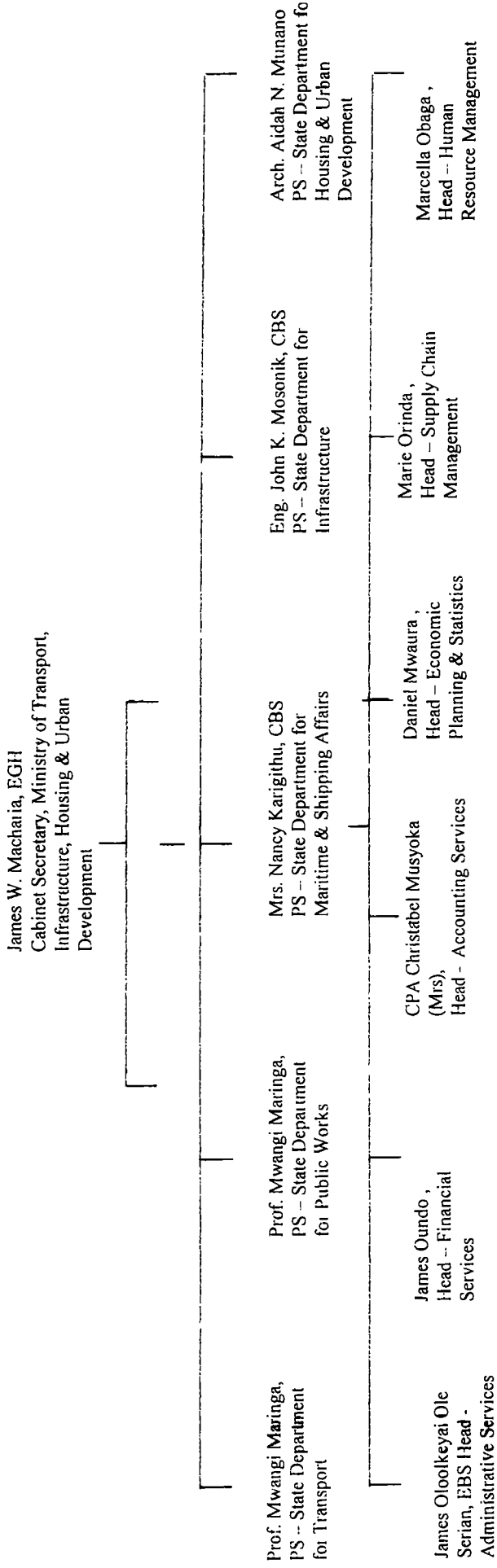
The State Department is committed to upholding the following values: Good Governance; Integrity; Transparency and Accountability; High standards of Professional Ethics; Efficient, Effective and Economic use of Resources; Responsive, Prompt, Effective, Impartial and Equitable Provision of Services.



**State Department For Maritime & Shipping Affairs  
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**(b) Key Management**

The State Department for Maritime & Shipping Affairs day-to-day management is under the following key organs:



**Senior Management – State Department for Maritime & Shipping Affairs**



James W. Macharia, EGH  
 Cabinet Secretary, Ministry of Transport,  
 Infrastructure, Housing & Urban  
 Development

Mr. James W. Macharia, EGH is the Cabinet Secretary for Transport Infrastructure, Housing and Urban Development. Prior to this appointment Mr. Macharia was Cabinet Secretary, Ministry of Health. Prior to joining government, Mr. Macharia had undertaken various leadership roles in the financial and banking industries including the appointment as Group Managing Director of a listed banking institution. Mr. Macharia is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales, Certified Public Accountant with Institute of Certified Public Accountants; he holds a Bachelor of Commerce degree and an MBA from Henley Management College, UK.



Mrs. Nancy Karigithu, CBS  
 PS – State Department for  
 Maritime & Shipping Affairs

Mrs. Nancy Karigithu, CBS assumed the position of Principal Secretary, State Department for Maritime & Shipping Affairs in May 2016. She has a working experience of 30 years, 26 of them in the maritime industry. She holds a Bachelor's degree in law from the University of Nairobi and a master's degree in International Maritime law from the IMO International Maritime Law Institute, Malta. She was the Director General (DG) of Kenya Maritime Authority (KMA) where she served as such for nine (9) years. She also served as the Chair of the International Maritime Authority (IMO) for three (3) terms and she currently sits on the Board of Governors of the World Maritime University (WMU), based in Malmo, Sweden.



CPA Christabel Musyoka  
 (Mrs),  
 Head – Accounting  
 Services

CPA Christabel Musyoka (Mrs) assumed the position of Head of Accounting Unit, State Department for Maritime & Shipping Affairs in May 2016 and is responsible for prudent public financial management. She has a working experience of 21 years in the public service. She holds a Master of Business Administration in Strategic Management from the University of Nairobi and Bachelor of Commerce (Finance option) from the Catholic University. She also holds an Executive Public Management Development Certification from University of Pretoria. She is also a Certified Public Accountant of Kenya (CPA-K).



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James Oloolkeyai Ole  
Serian, EBS Head -  
Administrative Services

James Oloolkeyai Ole Serian, EBS assumed the position of Head of Administrative Services, State Department for Maritime & Shipping Affairs in 2017 and is responsible for general administration. He holds Bachelor of Arts (Political science) from the University of Nairobi, post graduate diploma in development studies from the Institute of Social Studies (Netherlands).



Marcella K. Obaga,  
Head – Human Resource  
Management

Marcella K. Obaga assumed the position of Assistant Director Human Resource Management, State Department for Maritime & Shipping Affairs in October 2016 and is responsible for Human Resource Management. She holds a Master in Business Administration, Post graduate diploma (HRM and Bachelor of Arts (Economics)).

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Accounting Officer	Nancy W. Karigithu, CBS
2.	Head of Accounting Unit	CPA Christabel Musyoka (Mrs)

**(d) Fiduciary Oversight Arrangements**

**i. Budget Committee Activities**

This committee is composed of the following members drawn from various sectors of the economy with broad business knowledge:

▪ Administrative Services	James Ole Serian, EBS
▪ Financial Services	James Oundo
▪ Accounting Services	Christabel Musyoka (Mrs)
▪ Economic Planning & Statistics	Daniel Mwaura
▪ Supply Chain Management	Marie Orinda
▪ Human Resource	Marcella K. Obaga

**Budget Committee Activities**

This is the committee charged with the responsibility of implementation of the state department's budget with prudent management. The duties of the committee include:

- i. To review and consider the cashflow plans
- ii. To review the utilization of cash limits and consider any changes as may be required
- iii. To review the utilization of donor funds voted for the department
- iv. To advise the Accounting Officer on any challenges related to the budget implementation
- v. To review and recommend reallocation of expenditures
- vi. To review and approve the submission of the expenditure returns, IPPD, pending bills and AIA return department and recommend actions to be taken
- vii. To participate in sector working groups
- viii. To prepare the budget for the department in consultation with heads of departments

**(e) Headquarters**

Transcom Building  
Ngong Road  
P.O. Box 52692-00100  
Nairobi, KENYA

**Contacts**

Telephone: (254) 2400196  
E-mail: [psmaritimesshipping@gmail.com](mailto:psmaritimesshipping@gmail.com)  
Website: [www.transport.go.ke](http://www.transport.go.ke)



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**(f) Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O.Box 60000  
City Square 00200  
Nairobi, Kenya

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

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

## II. FORWARD BY THE CABINET SECRETARY



During the period under review, the department was allocated Ksh 254,159,288 and spent Ksh. 231,751,199 representing 91% absorption. Personnel emoluments were allocated Ksh 37,979,106 and spent Ksh. 30,235,837 representing 78% absorption rate. Use of goods and services was allocated Ksh 101,732,112 and utilised Ksh. 89,873,326 representing 89% absorption rate while transfers were allocated Ksh. 84,575,070 and utilised Ksh. 83,962,820 representing 99% absorption rate.

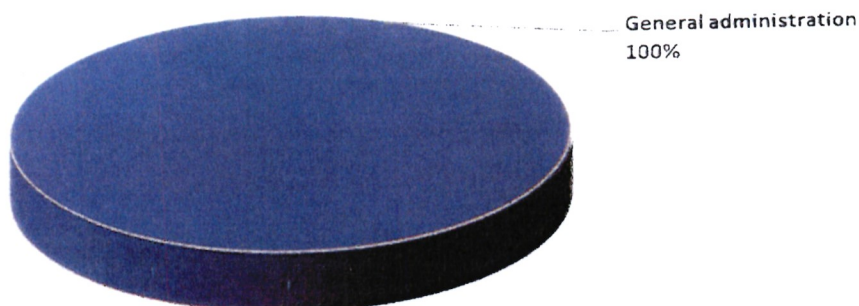
In pursuit of her mandates the State Department will ensure prudent financial management in accordance with the Public Finance Management (PFM) Act. We further call upon the National Treasury to upscale the budget allocation of the department. Further, the Department will seek for recruitment of both technical and support staff in order to fully operationalize the department. Capacity building to the existing staff will also be undertaken to further improve department's capacity to achieve its objectives.

### BUDGET ALLOCATION

In the financial year 2016/17 the State Department for Maritime & Shipping Affairs had a gross budget of Kshs 254,159,288 which was all for recurrent vote.

The State Department was to expend the gross budget of Kshs 254,159,288 under general administration:

### BUDGET ALLOCATION BY PROGRAMME





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**FORWARD BY THE CABINET SECRETARY (CONTINUED)**

**Key Performance Highlights**

Below is an overview of the financial performance for the year ended 30<sup>th</sup> June 2017 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

**Financial Performance Summary**

**Actual Performance against Budget for Year to 30<sup>th</sup> June 2017**

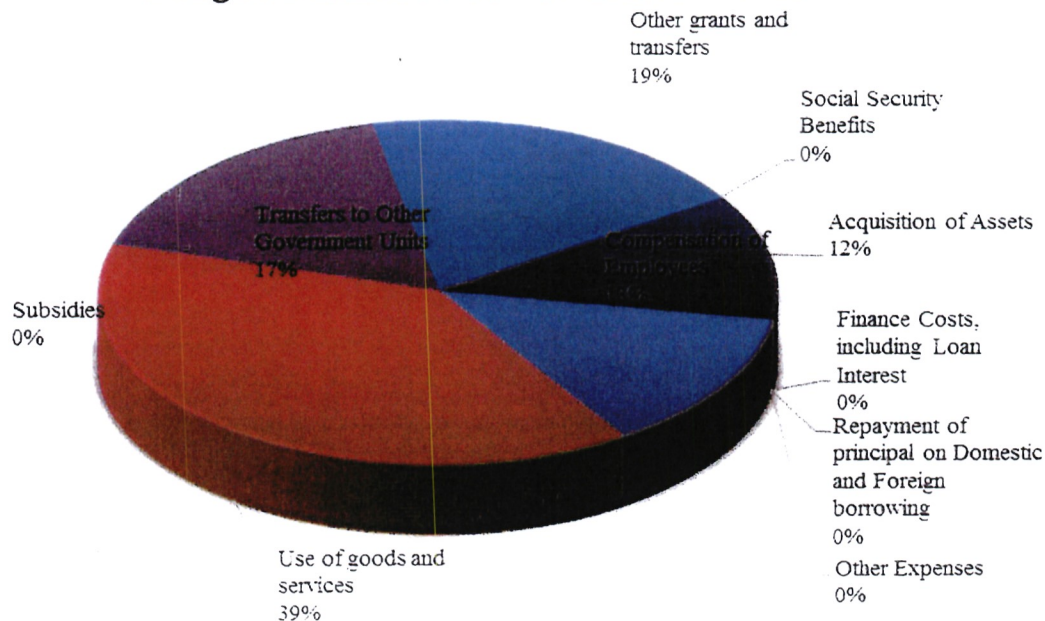
<b>Financial Performance</b>	<b>Printed Estimates</b>	<b>Actual</b>	<b>Variance</b>	<b>%</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>Utilisation Variance</b>
Total Receipts	254,159,288	239,900,000	14,259,288	94%
Total Payments	254,159,288	231,751,199	22,408,089	91%
<b>Surplus for the Year</b>	-	<b>8,148,801</b>	<b>(8,148,801)</b>	-

**Budget Utilisation**

The State Department spent **Kshs 231,751,199** against an approved budget of **Kshs 254,159,288** representing absorption of **91%**. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

	<b>Approved Budget Allocation</b>	<b>Actual Payments</b>	<b>Variance</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Compensation of Employees	37,979,106	30,235,837	7,743,269
Use of goods and services	101,732,112	89,873,326	11,858,786
Transfers to Other Government Units	40,000,000	40,000,000	-
Other grants and transfers	44,575,070	43,962,820	612,250
Acquisition of Assets	29,873,000	27,679,216	2,193,784
<b>Total Payments</b>	<b>254,159,288</b>	<b>231,751,199</b>	<b>22,408,089</b>

### Budget Utilisation as Per Economic Items



It is noted that 17% of the State Department's budget was used in Transfers to Other Government entities i.e. Semi-Autonomous Government Agencies (SAGAs). 13% of the budget was utilised on employee compensation, 19% was utilised on other grants and transfers while 12% was utilised in Acquisition of assets. 39% of the budget was spent on purchase of goods and services.

#### Receipts

The State Department's receipts comprised of exchequer releases from the National Treasury. The total receipt for FY 2016/2017 stood at Kshs 239 Million.

#### Payments

The State Department's payments mainly comprise of Transfers to Other Government entities i.e. Semi Autonomous Government Agencies (SAGAs), employee compensation, purchase of goods and services, other grants and transfers and acquisition of assets. The total payments for FY 2015/2016 stood at Kshs 231 Million

#### Total payment breakdown

Description	Actual Payments KShs
Compensation of Employees	30,235,837
Use of goods and services	89,873,326
Transfers to Other Government Units	40,000,000
Other grants and transfers	43,962,820
Acquisition of Assets	27,679,216
<b>Total Payments</b>	<b>231,751,199</b>



FORWARD BY THE CABINET SECRETARY (CONTINUED)

Financial Assets Summary

Financial Assets	As at 30 <sup>th</sup> June 2017
	KShs
Bank Balances	8,106,801
Accounts Receivables - Outstanding Imprest & Salary Advances	42,000
<b>Total Financial Assets</b>	<b>8,148,801</b>

Cash Flows Position

The cash and bank balances held by the State Department of Maritime & Shipping Affairs as at 30<sup>th</sup> June 2017 was Kshs 8 Million as shown in the table below.

Cash and Bank Balance

Cash and Bank balances	As at 30 <sup>th</sup> June 2017
	KShs
Bank Balances	8,106,801
<b>Total</b>	<b>8,106,801</b>

Cash Flow Activities

The table below summarizes cash flows generated and used from various activities.

Cash Flow Activities	Year to 30 <sup>th</sup> June 2017
	Kshs
Net Cash Flows generated from Operating activities	35,786,017
Net Cash Flows used in Investing activities	(27,679,216)
<b>Net increase in Cash and Cash Equivalents</b>	<b>8,106,801</b>
<b>Cash and Cash Equivalents at 1 July</b>	<b>-</b>
<b>Cash and Cash Equivalents at 30 June</b>	<b>8,106,801</b>

**FORWARD BY THE CABINET SECRETARY (CONTINUED)**

**Key Achievements of the State Department in the FY 2016/17**

Despite the Department not having development budget during the FY 2016/17, and with only a recurrent budget of Kshs. 254,159,288, the State Department was able to achieve the following:

- Operationalization of the State Department for Maritime and Shipping Affairs
- Operationalization of the marine cargo insurance increasing insurance uptake locally by 64%. Kshs. 1.3 billion recorded between January – August 2017
- Held 8 sensitization forums, 4 for insurance firms, 3 for the public and one (1) for media
- Actively participated in the development of Integrated Customs Management System (ICMS), routing out manual process of the cargo insurance
- Initiated the revival of Kenya National Shipping Line; determined optimal staffing levels for the Department Collaborated with both regional and international organizations such as ISCOS, IMC LVBC, UNDP, UNEP (Nairobi Convention Secretariat), IOMOU, IORA among others to meet country obligations and marketing the State Department
- Initiated collaboration with JKUAT on Marine Technology Cooperation Centre (MTCC) for African region.

**Emerging Issues**

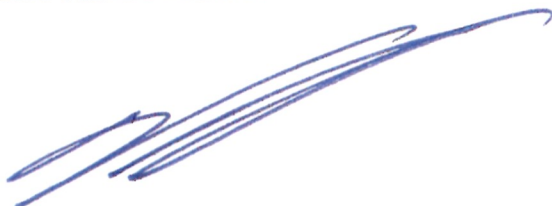
In recognition of immense potentials in the maritime and shipping sub sector, the government identified the Blue Economy as a key sector under the Economic pillar in Medium Term Plan (MTP) III. Towards this, a draft Blue Economy sector report of the Third MTP had been prepared. In the report there are priority programmes/projects which require enormous resources. The State Department will therefore endeavour to engage development partners as well as entering into Public Private Partnerships (PPP) in order to mobilize resources.

**Challenges**

The State Department for Maritime and Shipping Affairs is faced by a number of challenges that hindered the fulfilment of our mandates. They include:

- Inadequate finances
- Inadequate technical and support staff
- Limited office space
- Inadequate office equipment
- Inadequate official vehicles

*Sign*



*Cabinet Secretary*



### **III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

The Accounting Officer in charge of the State Department for Maritime & Shipping Affairs is responsible for the preparation and presentation of the State Department for Shipping & Maritime Affairs' financial statements which give a true and fair view of the state of affairs of the State Department for Shipping & Maritime Affairs as at the end of the period ended on June 30<sup>th</sup>, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the State Department for Shipping & Maritime Affairs; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Maritime & Shipping Affairs accepts responsibility for the State Department for Shipping & Maritime Affairs' financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for Shipping & Maritime Affairs' financial statements give a true and fair view of the state of State Department for shipping & maritime Affairs transactions during the period ended June 30<sup>th</sup>, 2017 and of the State Department for Shipping & Maritime Affairs' financial position as at that date. The Accounting Officer in charge of the State Department for Maritime and Shipping Affairs further confirms the completeness of the accounting records maintained for the State Department for Shipping & Maritime Affairs which have been relied upon in the preparation of the State Department for Shipping & Maritime Affairs financial statements as well as the adequacy of the systems of internal financial control.

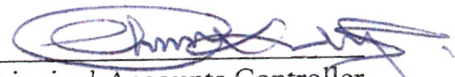
The Accounting Officer in charge of the State Department for Maritime and Shipping Affairs confirms that the State Department for Shipping & Maritime Affairs has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department for Shipping & Maritime Affairs funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department for Shipping & Maritime Affairs financial statements have been prepared in a form that complies with relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### **Approval of the financial statements**

The State Department for Maritime & Shipping Affairs financial statements were approved and signed by the Accounting Officer on 28/9/ 2017.



Principal Secretary  
Name: Nancy W. Karigithu, CBS



Principal Accounts Controller  
Name: CPA Christabel A. Musyoka(Mrs)  
ICPAK Member Number: 7263



# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR MARITIME AND SHIPPING AFFAIRS FOR THE YEAR ENDED 30 JUNE 2017 – MINISTRY OF TRANSPORT, INFRASTRUCTURE, HOUSING AND URBAN DEVELOPMENT

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of State Department for Maritime and Shipping Affairs, set out on pages 12 to 26 which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of Receipts and payments, the statement of cash flows, a summary statement of appropriation: recurrent and development combined for the year then ended, together with a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of State Department for Maritime and Shipping Affairs as at 30 June 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

##### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Department for Maritime and Shipping Affairs in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Key Audit Matters

Key Audit Matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there were no Key Audit Matters to communicate in my report.

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*Report of the Auditor-General on the Financial Statements of State Department for Maritime and Shipping Affairs for the year ended 30 June 2017 – Ministry of Transport, Infrastructure, Housing and Urban Development*



## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the Department's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless management either intends to liquidate the Department or cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Department's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements.**

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 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.

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

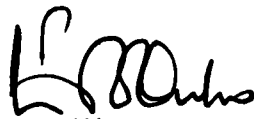
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Department's 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 Department's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- 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 of the business activities of the Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**FCPA Edward R. O. Ouko (CBS)**  
**AUDITOR-GENERAL**

**Nairobi**

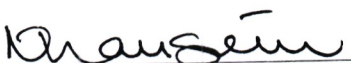
**03 April 2018**


State Department For Maritime & Shipping Affairs  
 Reports and Financial Statements  
 For the year ended June 30, 2017

V. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE  
 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>RECEIPTS</b>			
Transfers from National Treasury	1	239,900,000	-
<b>TOTAL REVENUES</b>		<b>239,900,000</b>	-
<b>PAYMENTS</b>			
Compensation of Employees	2	30,235,837	-
Use of goods and services	3	89,873,326	-
Transfers to Other Government Units	4	40,000,000	-
Other grants and transfers	5	43,962,820	-
Acquisition of Assets	6	27,679,216	-
<b>TOTAL PAYMENTS</b>		<b>231,751,199</b>	-
<b>SURPLUS/DEFICIT</b>		<b>8,148,801</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/9/ 2017 and signed by:

  
 Principal Secretary  
 Name: Nancy W. Karigithu, CBS

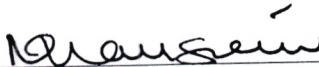
  
 Principal Accounts Controller  
 Name: CPA Christabel A. Musyoka(Mrs)  
 ICPAK Member Number: 7263


State Department For Maritime & Shipping Affairs  
 Reports and Financial Statements  
 For the year ended June 30, 2017

VI. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30<sup>TH</sup> JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	7	8,106,801	-
<b>Total Cash And Cash Equivalents</b>		<b>8,106,801</b>	<b>-</b>
Accounts receivables - Outstanding imprests	8	42,000	
<b>TOTAL FINANCIAL ASSETS</b>		<b>8,148,801</b>	<b>-</b>
<b>NET FINANCIAL ASSETS</b>		<b>8,148,801</b>	<b>-</b>
<b>REPRESENTED BY</b>			
Surplus/Deficit for the year		8,148,801	-
<b>NET FINANCIAL POSITION</b>		<b>8,148,801</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/9/2017 and signed by:

  
 Principal Secretary  
 Name: Nancy W. Karigithu, CBS

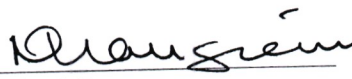
  
 Principal Accounts Controller  
 Name: CPA Christabel A. Musyoka(Mrs)  
 ICPAK Member Number: 7263




VII. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from National Treasury	1	239,900,000	-
		<b>239,900,000</b>	-
<b>Payments for operating expenses</b>			
Compensation of Employees	2	30,235,837	-
Use of goods and services	3	89,873,326	-
Transfers to Other Government Units	4	40,000,000	-
Other grants and transfers	5	43,962,820	-
		<b>204,071,983</b>	-
<b>Adjusted for:</b>			
Changes in receivables		(42,000)	-
<b>Net cash flows from operating activities</b>		<b>35,786,017</b>	-
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	6	(27,679,216)	-
<b>Net cash flows from Investing Activities</b>		<b>(27,679,216)</b>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>8,106,801</b>	-
<b>Cash and cash equivalent at BEGINNING of the year</b>		-	-
<b>Cash and cash equivalent at END of the year</b>		<b>8,106,801</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/9/2017 and signed by:

  
 Principal Secretary  
 Name: Nancy W. Karigithu, CBS

  
 Principal Accounts Controller  
 Name: CPA Christabel A. Musyoka(Mrs)  
 ICPAK Member Number: 7263

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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	237,159,288	17,000,000	254,159,288	239,900,000	14,259,288	94%
<b>Total Receipts</b>	<b>237,159,288</b>	<b>17,000,000</b>	<b>254,159,288</b>	<b>239,900,000</b>	<b>14,259,288</b>	<b>94%</b>
<b>PAYMENTS</b>						
Compensation of Employees	37,979,106	-	37,979,106	30,235,837	7,743,269	78%
Use of goods and services	77,732,112	24,000,000	101,732,112	89,873,326	11,858,786	89%
Transfers to Other Government Units	40,000,000	-	40,000,000	40,000,000	-	100%
Other grants and transfers	77,575,070	(33,000,000)	44,575,070	43,962,820	612,250	99%
Acquisition of Assets	3,873,000	26,000,000	29,873,000	27,679,216	2,193,784	95%
<b>Total Payments</b>	<b>237,159,288</b>	<b>17,000,000</b>	<b>254,159,288</b>	<b>231,751,199</b>	<b>22,408,089</b>	<b>91%</b>
Surplus/ Deficit	-	-	-	<b>8,148,801</b>	<b>(8,148,801)</b>	

Note

- i. Compensation of employees underutilization was occasioned by late splitting of the payroll from State Department of Transport. Actual salary payments were made from October 2016.
- ii. Use of goods and services underutilization was occasioned by delays in uploading of the procurement plans as a result of mapping of the new State Department.

The entity financial statements were approved on 28/9/2017 and signed by:



Principal Secretary  
 Name: Nancy W. Karigithu, CBS



Principal Accounts Controller  
 Name: CPA Christabel A. Musyoka (Mrs)  
 ICPAK Member Number: 7263



State Department For Maritime & Shipping Affairs  
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 For the year ended June 30, 2017

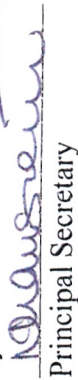
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	237,159,288	17,000,000	254,159,288	239,900,000	14,259,288	94%
<b>Total Receipts</b>	<b>237,159,288</b>	<b>17,000,000</b>	<b>254,159,288</b>	<b>239,900,000</b>	<b>14,259,288</b>	<b>94%</b>
<b>PAYMENTS</b>						
Compensation of Employees	37,979,106	-	37,979,106	30,235,837	7,743,269	78%
Use of goods and services	77,732,112	24,000,000	101,732,112	89,873,326	11,858,786	89%
Transfers to Other Government Units	40,000,000	-	40,000,000	40,000,000	-	100%
Other grants and transfers	77,575,070	(33,000,000)	44,575,070	43,962,820	612,250	99%
Acquisition of Assets	3,873,000	26,000,000	29,873,000	27,679,216	2,193,784	95%
<b>Total Payments</b>	<b>237,159,288</b>	<b>17,000,000</b>	<b>254,159,288</b>	<b>231,751,199</b>	<b>22,408,089</b>	<b>91%</b>
Surplus/ Deficit	-	-	-	<b>8,148,801</b>	<b>(8,148,801)</b>	

Note

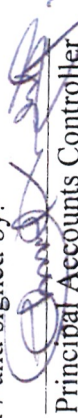
- i. Compensation of employees underutilization was occasioned by late splitting of the payroll from State Department of Transport. Actual salary payments were made from October 2016.
- ii. Use of goods and services underutilization was occasioned by delays in uploading of the procurement plans as a result of mapping of the new State Department.

The entity financial statements were approved on 28/9/2017 and signed by:

  
 Principal Secretary

Name: Nancy W. Karigithu, CBS

28/9/2017 and signed by:

  
 Principal Accounts Controller

Name: CPA Christabel A. Musyoka (Mrs)  
 ICPAK Member Number: 7263


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X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Exchequer releases						
<b>Total Receipts</b>	-	-	-	-	-	-
<b>PAYMENTS</b>						
Compensation of Employees						
Use of goods and services						
Transfers to Other Government Units						
Other grants and transfers						
Acquisition of Assets						
Other Payments						
Totals	-	-	-	-	-	-
<b>Surplus/Deficit</b>						

The State Department of Maritime & Shipping Affairs did not have Development Budget in the Financial Year ended 30<sup>th</sup> June 2017.

The entity financial statements were approved on 28/9/2017 and signed by:

  
 Principal Secretary  
 Name: Nancy W. Karigithu, CBS

  
 Principal Accounts Controller  
 Name: CPA Christabel A. Musyoka(Mrs)  
 ICPAK Member Number: 7263



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XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 2016/2017 Kshs	Adjustments Kshs	Final Budget 2016/2017 Kshs	Actual on comparable basis 2016/2017 Kshs	Budget utilization difference Kshs
General administration	237,159,288	17,000,000	254,159,288	231,751,199	22,408,089
General administration					

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

## **XII. SIGNIFICANT ACCOUNTING POLICIES**

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

### **1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### **2. Reporting entity**

The financial statements are for the State Department of Maritime & Shipping Affairs. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

### **3. Recognition of receipts and payments**

#### **a) Recognition of receipts**

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

#### **Tax receipts**

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

#### **Transfers from the Exchequer**

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



## SIGNIFICANT ACCOUNTING POLICIES

### **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

#### **Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

#### **Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

#### **Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30<sup>th</sup> June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

### **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

#### **b) Recognition of payments**

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

#### **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

#### **Use of goods and services**

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

#### **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.



## SIGNIFICANT ACCOUNTING POLICIES

### Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

### Acquisition of fixed assets

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

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

#### 4. In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

#### 5. Cash and cash equivalents

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

### Restriction on cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, there were no retention money owed to third parties. There were no other restrictions on cash during the year

#### 6. Accounts Receivable

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

**XIII. NOTES TO THE FINANCIAL STATEMENTS**

**1 EXCHEQUER RELEASES**

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	13,500,000	-
Total Exchequer Releases for quarter 2	73,601,954	-
Total Exchequer Releases for quarter 3	31,298,046	-
Total Exchequer Releases for quarter 4	121,500,000	-
<b>Total</b>	<b>239,900,000</b>	-

**2 COMPENSATION OF EMPLOYEES**

	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	23,194,347	-
Personal allowances paid as part of salary	7,041,490	-
<b>Total</b>	<b>30,235,837</b>	-

**3 USE OF GOODS AND SERVICES**

	2016-2017	2015-2016
	Kshs	Kshs
Utilities, supplies and services	172,800	--
Communication, supplies and services	4,642,982	-
Domestic travel and subsistence	15,439,294	-
Foreign travel and subsistence	6,683,724	-
Printing, advertising and information supplies & services	1,249,021	-
Rentals of produced assets	7,717,039	-
Training expenses	7,473,251	-
Hospitality supplies and services	8,331,745	-
Specialized materials and services	3,761,065	-
Office and general supplies and services	7,193,204	-
Other operating expenses	16,004,015	-
Routine maintenance – vehicles and other transport equipment	1,363,468	-
Routine maintenance – other assets	5,783,866	-
Fuel Oil and Lubricants	4,057,852	-
<b>Total</b>	<b>89,873,326</b>	-



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**4 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES**

Description	2016-2017	2015-2016
	Kshs	Kshs
<b>Transfers to National Government entities</b>		
Kenya National Shipping Line	40,000,000	-
<b>TOTAL</b>	<b>40,000,000</b>	<b>-</b>

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	Total	2015-2016
	Kshs	Kshs	Kshs	Kshs
<b>Transfers to SAGAs and SCs</b>				
Kenya National Shipping Line	40,000,000	-	40,000,000	-
<b>TOTAL</b>	<b>40,000,000</b>	<b>-</b>	<b>40,000,000</b>	<b>-</b>

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

**5 OTHER GRANTS AND TRANSFERS**

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations	43,962,820	-
<b>Total</b>	<b>43,962,820</b>	<b>-</b>

*Other grants and transfers relate to membership dues and subscriptions to the below organizations:*

		2016-2017	2015-2016
<b>Membership dues and subscription to International Organizations.</b>		<b>Kshs</b>	<b>Kshs</b>
1	ISCOS Secretariat	42,299,285	-
2	International Maritime Organization	500,000	-
3	Indian Ocean M.O. U	805,335	-
4	Annual Subscription	11,200	-
5	Membership Fee For SCM	27,000	-
6	Government Contribution Conference Facility	320,000	-
	<b>Total</b>	<b>43,962,820</b>	<b>-</b>

State Department For Maritime & Shipping Affairs  
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 ACQUISITION OF ASSETS

<b>Non-Financial Assets</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Vehicles and Other Transport Equipment	14,993,000	-
Purchase of Office Furniture and General Equipment	12,686,216	-
<b>Total</b>	<b>27,679,216</b>	<b>-</b>

7 BANK ACCOUNTS

<b>Name of Bank, Account No. &amp; currency</b>	<b>Amount in bank</b>	<b>Account type</b>	<b>2016-2017</b>	<b>2015-2016</b>
			<b>Kshs</b>	<b>Kshs</b>
<i>Central Bank of Kenya, 1000302787, KShs State Department for Maritime &amp; Shipping Affairs</i>	8,106,801	Recurrent	8,106,801	-
<b>Total</b>			<b>8,106,801</b>	<b>-</b>

8 OUTSTANDING IMPRESTS

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Government Imprests	42,000	-
<b>TOTAL</b>	<b>42,000</b>	<b>-</b>

9 RELATED PARTY DISCLOSURES

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

Related party transactions:

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Key management compensation	12,075,375	-
Transfers to other State Corporations and Semi-Autonomous Government Agencies	40,000,000	-
<b>Total</b>	<b>52,075,375</b>	<b>-</b>



**10 OTHER IMPORTANT DISCLOSURES**

**10.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Supply of goods	90,086	-
<b>Total</b>	<b>90,086</b>	<b>-</b>

**10.2: PENDING STAFF PAYABLES**

There were no pending staff payables in the FY 2016/17.

**10.3: OTHER PENDING PAYABLES**

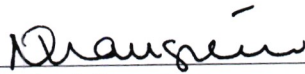
There were no other pending payables in the FY 2016/17.

**11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
None	None	None	None	None	None

The State Department for Maritime & Shipping Affairs is a new vote and Financial Year 2016/2017 is the first year of its operations, therefore no Audit Issues.



Principal Secretary  
Name: Nancy W. Karigithu, CBS



Principal Accounts Controller  
Name: CPA Christabel A. Musyoka(Mrs)  
ICPAK Member Number: 7263