REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

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THE AUDITOR-GENERAL

ON

THE REVENUE STATEMENTS OF STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE ECONOMY

FOR THE YEAR ENDED 30 JUNE 2018

RECEIVER OF REVENUE

(MINISTRY OF AGRICULTURE LIVESTOCK AND FISHERIES)
STATE DEPARTMENT FOR FISHERIES AND THE BLUE ECONOMY

REVENUE STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, **20***18*

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The State Department for Fisheries & the Blue Economy *(receiver of revenue/Entity)* is under the Ministry of Agriculture, Livestock and Fisheries. At cabinet level, the State Department for Fisheries & the Blue Economy is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock and Fisheries, who is responsible for the general policy and strategic direction of the State Department for Fisheries & the Blue Economy. The *receiver of revenue* was appointed as a receiver on July, 27 2016

(b) Principal activities

The receiver of revenue collects revenue from 3540302 (Fishing Rights). Revenue collected is remitted to the National Treasury in accordance with Section 81 (2) of the PFM Regulations 2015 and used for funding government budget through exchequer.

(c) Key Management

The *State Department for Fisheries and the Blue Economy* day-to-day management is under the following key organs:

- Cabinet Secretary – (Ministry of Agriculture, Livestock and Fisheries);
- Principal Secretary State Department for Fisheries & the Blue Economy;
- Directorate Aquaculture Technology Development;
- Directorate of Fisheries Policy Research and Regulations: and
- Directorate of Fisheries Resource Development and Marketing;

(d) Fiduciary Management

The key management personnel who held office during the financial period ended June 30 2018 and who have direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Prof. Micheni Japhet Ntiba, CBS
2.	Ag. Interim Director General Kenya Fisheries Service	Mrs Susan Imende
3.	Ag. Director of Aquaculture Technology Development	Mr Sammy Macharia
4.	Ag. Director of Fisheries Resource Development and Marketing	Ms. Lucy Obungu
5.	Ag. Principal Accounts Controller	CPA. Henry Ondara
6.	Chief Finance Officer	CPA Maina Chira
7.	Director Human Resource Management	Mr. Sylvester Bolo

(e) Fiduciary Oversight Arrangements

- **Audit and Finance Committees**

The State Department's Audit Committee has been active vide Treasury Circular No. 16/2005 dated 4th October, 2005 before introduction of PFM Act, 2012. However, during the period under review (2015/2016), the PFM Regulations covering the State Department's Audit Committee has been finalised and approved by Parliament for effective application as required.

- **Parliamentary Committee activities**

The Ministry handled various issues both at the National Assembly and the Senate of Parliament:

- Statements	-
- Petitions	-
- Motions	-
- Workshops/Seminars	-
- Meetings with Departmental Committees	-

Senate

- Statements	-
- Petitions	-
- Motions	-
- Workshops/Seminars	-

(f) State Department for Fisheries Headquarters

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Kilimo House
Cathedral Road
Nairobi, KENYA

(g) Contacts

Telephone: (254) 2716103/85
E-mail: psfisheries@kilimo.go.ke
Website: www.kilimo.go.ke

(h) Bankers

1. Central Bank of Kenya
   Haile Selassie Avenue
   P O Box 60000
   City Square 00200
   Nairobi, Kenya
2. Kenya Commercial Bank
   Moi Avenue
   P O Box 48400
   City Square 00100
   Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P O Box 40112
City Square 00200
Nairobi, Kenya
Website: www.statelaw.go.ke

II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 83 (1) of the Public Finance Management Act, 2012 requires that, at the end of each quarter, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

The Principal Secretary in charge of the *State Department for Fisheries and the Blue Economy* is responsible for the preparation and presentation of the *receiver of revenue account*, which gives a true and fair view of the state of affairs of the *receiver of revenue* for and as at the end of the period ended on *June 30, 2018*. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary in charge of the *(State Department for Fisheries and the Blue Economy)* accepts responsibility for the *entity's receiver of revenue* accounts, 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) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the *entity's receiver of revenue* account gives a true and fair view of the state of *entity's receiver of revenue* transactions during the period ended *June 30, 2018,* and of the *entity's* financial position as at that date. The Principal Secretary in charge of the *State Department for Fisheries and the Blue Economy* further confirms the completeness of the accounting records maintained for the *receiver of revenue*, which have been relied upon in the preparation of the *receiver of revenue* account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the *(State Department for Fisheries and the Blue Economy)* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the *receiver of revenue's* accounts has been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

The *revenue* statements were approved and signed by the Principal Secretary on 28 September, 2018

Principal Secretary

Ag. Principal Accounts Controller

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON REVENUE STATEMENTS OF STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE ECONOMY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE REVENUE STATEMENTS

Opinion

I have audited the accompanying revenue statements of State Department for Fisheries, Aquaculture and the Blue Economy set out on pages 7 to 10, which comprise the statement of revenues and transfers and the statement of comparison of budget and actual amounts for the year ended 30 June 2018, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the revenue statements present fairly, in all material respects, the revenue performance of the State Department for Fisheries, Aquaculture and the Blue Economy for the year ended 30 June 2018, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Fisheries Act, CAP 378 (Revised 2012) and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of State Department of Fisheries, Aquaculture and the Blue Economy 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. There were no key audit matters to communicate in my report.

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, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 ability of the State Department to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 January 2019

III. STATEMENT OF REVENUES AND TRANFERS

	Note	2017/18 Kshs	2016/17 Kshs
NON TAX RECEIPTS			
Other Receipts	1	**106,746,683.35**	**181,461,217**
TOTAL NON TAX RECEIPTS		**106,746,683.35**	**181,461,217**
TOTAL RECEIPTS COLLECTED		**106,746,683.35**	**181,461,217**
TRANSFERS TO THE EXCHEQUER ACCOUNT		**(106,746,683.35)**	**(182,943,217)**
BALANCE BROUGHT FORWARD		**-**	**1,482,000**
BALANCE CARRIED FORWARD		**0**	**0**

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 24th September, 2018 and signed by:

Principal Secretary
Prof. Micheni Japhet Ntiba, CBS

Ag. Principal Accounts controller
CPA. Henry Hudson O. Ondara
ICPAK M/No.:10292

(Ref: PFM ACT section 82,2(a))

IV. STATEMENT COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE PERIOD ENDED *JUNE 30, 2018*

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance difference
	2017 - 2018	2017 – 2018	2017 – 2018	2017 – 2018	2017 - 2018
Non tax receipts					
Other Receipts	370,538,102.00	0	370,538,[illegible].00	106,746,683.35	263,791,418.65
Total Non-tax receipts	370,538,102.00	0	370,538,102.00	106,746,683.35	263,791,418.65
Total receipts	370,538,102.00	0	370,538,102.00	106,746,683.35	263,791,418.65

The under collection was occasioned by the new Fisheries Act 2016 which was effected from September 2016; whose terms and conditions for both application and renewal of foreign fishing license which was the major revenue source became challenging to the applicants, thereby leading to the complete withdrawal of purseiners from our territorial waters leaving only a few longliners which rates are also low as compared to the latter.

V. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *State Department for Fisheries and the Blue Economy*. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *State Department for Fisheries and the Blue Economy*.

2. Recognition of Revenue

The *State Department for Fisheries and the Blue Economy* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *State Department for Fisheries and the Blue Economy*.

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included in to these revenue statements.

4. Comparative Figures

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

5. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended *June 30, 2018*

VI. NOTES TO THE FINANCIAL STATEMENTS

1. OTHER RECEIPTS NOT CLASSIFIED ELSEWHERE

Description	2017-2018	2017-2018
	Kshs	Kshs
Miscellaneous Revenue (Fisheries Licences)	106,746,683.35	181,461,217
Total Revenue	106,746,683.35	181,461,217
Balance brought forward		1,482,000
Transfers to the Exchequer account	(106,746,683.35)	(182,943,217)
Balance carried forward	0	0

The decrease from prior year was occasioned by the enactment of management and Development Fisheries Act 21016 which was effective from September 2016. The rates applicable and the method of assessment was challenged by the stakeholders where it took a period of up to six months to agree on was forward on licencing.

VII. PROGRESS ON FOLLOW UP OF AUDITORS

Commendations

The department received a clean audit report.

Principal Secretary
Prof. Micheni Japhet Ntiba, CBS

Ag. Principal Accounts Controller
CPA. Henry Hudson O. Ondara
ICPAK M/No.:10292