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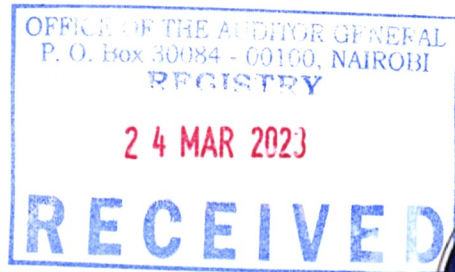
THE AUDITOR-GENERAL

ON

KENYA FISHERIES SERVICE

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

Revised Template 30th June 2022



KENYA FISHERIES SERVICE

AMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2022

**Kenya Fisheries Service
Annual Report and Financial Statements
For the year ended June 30, 2022.**

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Kenya Fisheries Service
Annual Report and Financial Statements
For the year ended June 30, 2022.

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1. Key Entity Information and Management

(a) Background information

Kenya Fisheries Service (KeFS) was established by an Act of Parliament (**Fisheries Management and Development (FMD) Act, No. 35 of 2016 of the Laws of Kenya (herein after the Act)**) in September 2016 after the repeal of the Fisheries Act, Cap 378, Trout Ordinance Act and the Fisheries Protection Act, Cap 380 on 23rd September 2016.

KeFS is domiciled in Kenya, headquartered in Nairobi NHIF Building and has Regional offices Nairobi Metropolitan, Central Region, Eastern region, Coastal region, Lake Victoria Region, Lake Turkana Region, Western Region, Central Rift Region and Boarder offices of Busia, Malava, Isebania, Namanga, Kiunga, Lunga Lunga and JKIA.

KeFS has 5 major departments namely:

1. Capture Fisheries
2. Aquaculture;
3. Fish Quality Safety & Trade;
4. Kenya Fishing School; and
5. Corporate Services Directorate.

(b) Principal Activities

Functions of KeFS

Pursuant to section 9 of the Act, the principal KeFS main functions are to:

- a) Ensure the appropriate conservation, development of standards on management, sustainable use, development and protection of the fisheries and aquaculture resources;
- b) Formulate and monitor the implementation of policies regarding the conservation, management and utilization of all fisheries and aquaculture resources;
- c) Develop standards for the management of all fisheries and aquaculture activities and fishing related activities;
- d) Develop guidelines for the preparation of fisheries specific management plans for the Kenya fishery waters;
- e) Provide education to create public awareness and support for fisheries conservation, management, development and sustainable use;
- f) Set and meet goals for fisheries conservation, management, development and sustainable use;
- g) In consultation with the Kenya Marine and Fisheries Research Institute, approve and co-ordinate research activities;

- h) Collect and analyse data in relation to resources and activities; identify manpower requirements and recruit manpower at all levels for the Service;
- i) Liaise as appropriate with agencies and persons, including stakeholders, industry, government agencies, regional and international organizations and experts, whether local or foreign;
- j) To act on behalf of the government, subject to the Treaty Making and Ratification Act, 2012 in relation to all domestic and international agreement relating to fishing, fishing related activities or any matter falling within the scope of this Act, to which Kenya is or may become a party;
- k) Administer and co-ordinate international protocols, conventions and treaties regarding fisheries in all its aspects in consultation with the Cabinet Secretary pursuant to the Treaty Making and Ratification Act, 2013;
- l) Subject to the Public Health Act and the Food, Drugs and Substance Act, control and regulate fish safety and quality;
- m) Raise revenue through levies, fees, investments and other means in accordance with the Act including solicitation by public appeal or otherwise, and accept and receive subscriptions, donations, devices and bequests, whether of movable or immovable property and whether absolute or unconditional for the general or special purposes of the Service or subject to any trust;
- n) Undertake the development of appropriate fisheries and aquaculture resources infrastructure, that relates to its mandate under this Act and the Constitution;
- o) Facilitate investment in commercial fisheries, in collaboration with relevant agencies, persons or bodies, including Government departments;
- p) Promote development and introduction of appropriate technologies in aquaculture production, processing and preservation in collaboration with relevant agencies, county governments and stakeholders;
- q) Identify and promote construction of any works deemed necessary for the sustainable development and economic utilization of fisheries and aquaculture resources;
- r) In collaboration with county government and the Fish Marketing Authority established under section 201 of the Act, identify opportunities and promote all aspects of fisheries marketing;

- s) Arrange and enter into joint ventures or any other forms of investment arrangement for purposes of performing any of its functions;
- t) Co-ordinate fish quality assurance and operations of the marine and coastal fisheries, aquaculture and inland and riverine fisheries;
- u) Coordinate and or undertake monitoring, control and surveillance of all activities; and
- v) Perform such other duties and functions consistent with the provisions of the FMD Act 2016.

Vision

A leading agency for sustainable development of fisheries and aquaculture resources for enhanced livelihoods

Mission

To facilitate sustainable management and development of fisheries and aquaculture resources for accelerated socio-economic growth in Kenya.

Strategic Objectives

The mandate of the Kenya Fisheries Service as per the Fisheries Management and Development Act, No. 35 of 2016 is to conserve, manage and develop Kenya's fisheries and aquaculture resources. To achieve the above mandate, KeFS mobilizes resources from various local and international partners. The development of this Strategic Plan was guided by the following strategic objectives:

- a) To manage and protect fisheries resources and the aquatic environment;
- b) To facilitate increased national fish production to enhance food and nutrition security in the country;
- c) To create a conducive environment for increased investment and employment opportunities in fisheries, aquatic resources and related industries;
- d) To improve quality and safety of fish and fishery products and minimize post-harvest losses; and
- e) To strengthen institutional structure and capacity

(c) Key Management

KeFS' day-to-day management is under the following key organs:

- Board of Directors;
- Director General/ CEO;
- Management; and
- Staff.

During the period, KeFS Board of directors was composed of the following members:

No	Name (BoD)	Role
1.	Col (Rtd) Noor Musa	Chairperson
2.	Ms. Margaret Righa	Deputy Chairperson
3.	Prof. Christopher Nyaga	Director
4.	Mr. Paul Huka Kalla	Director
5.	Ms. Jessica Gakinya	Director
6.	Mr. Kassim M. Farrah	Director (Alternate to PS SDF&BE)
7.	Mr. Francis Mutie	Director (Alternate to PS Defence)
8.	Mr. Samuel Mwangi	Director (Alternate to PS National Treasury)
9.	Mr. Daniel Mungai	DG/Secretary to the Board

Note: The Chairperson was appointed on 5th August 2022 upon expiry of the term of office of the founding Chairperson Hon. Samuel Gonzi Rai on 6th February 2022.

(d) Fiduciary Management

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

implementation of annual Performance Contract, development and review of the Service Strategic Plan, Service Charter and annual work plan. Secondly, the Committee ensure that the Service meets her mandate to Kenyans. The members to this committee include:

1. Ms. Jessica Gakinya Independent Director (Committee Chairperson)
2. Mr. Kassim Farrah Rep PS SDFA&BE
3. Mr. Francis Mutie Rep PS Defence
4. Daniel Mungai DG

Audit, Risk and Governance Committee (ARGC)

This Committee is comprised of 3 members of the Board including the Head of internal Audit at the State Department for Fisheries, Aquaculture and the Blue Economy (SDFA&BE) who is the Committee secretary. Its main function is to consider and process on behalf of the Board all matters relating to audit, audit queries and management letters from Office of Auditor General or the duly appointed external auditors. It also considers matters of quality assurance of systems and processes in the Institute's operations and reviewing the risk management framework and the periodic performance contract reports, and governance matters of the service. The members to this committee includes:

1. Prof. Christopher Nyaga Independent Director
2. Ms. Margaret Righa Deputy Chairperson
3. Mr. Timothy Mburu Rep PS National Treasury
4. Mr. Simon Njuguna Head, Internal Audit (SDFA&BE)

(f) Entity Headquarters

NHIF Building, 13th Floor
Ragati Road,
P.O. Box 48511 - 00100
Nairobi, KENYA

(g) Entity Contacts

Telephone No.: +254 20 2716102
Email: kefs@kilimo.go.ke; info@kefs.go.ke
Website: <http://www.kefs.go.ke>

(h) Entity Bankers

The following are the Bank Accounts operated by the Service during the Financial Year ending 30th June, 2022

- i. Kenya Commercial Bank-Capital Hill Branch-NRB Headquarters –A/C No: 1266312323
- ii. Kenya Commercial Bank-Kisumu Branch-Lake Victoria Region-A/c No:1294556290
- iii. Kenya Commercial Bank-Treasury Square-Marine and Coastal Region-A/c No:1294569155
- iv. Kenya Commercial Bank-Karatina-Kenya Fishing School Sagana-A/c No: 1294418858
- v. Kenya Commercial Bank-Nyeri-National Trout Centre, Kiganjo-A/c No: 1294393316
- vi. Kenya Commercial Bank-Eldoret-North Rift Region-A/c No: 1294422219
- vii. Kenya Commercial Bank-Kakamega-Western-A/c No: 1294495763
- viii. Kenya Commercial Bank-Nakuru-Central and South Rift-A/c No:1294535188
- ix. Kenya Commercial Bank-Embu-Eastern Region-A/c No: 1294536974
- x. Kenya Commercial Bank-Capital Hill-Nairobi Metropolitan-A/c No:1294423959
- xi. Kenya Commercial Bank-Busia-Busia Border Post-A/c No: 1294371991
- xii. Kenya Commercial Bank-Lodwar-Lake Turkana Region-A/c No: 1294268198
- xiii. Kenya Commercial Bank-Isebania-Isebania Border Post-A/c No: 1294386336
- xiv. Kenya Commercial Bank-Capital Hill-Nairobi Head Quarters Euro A/C-A/c No:1294424823

(i) Independent Auditors

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General


State Law Office and Department of Justice



Harambee Avenue


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P.O. Box 40112
City Square 00200
Nairobi, Kenya


2. The Board of Directors


Ref	Directors	Details
1.	 <p style="text-align: center;">Col (Rtd) Noor Musa, MBS Chairman, KeFS Board of Directors</p> <p>Key Academic Qualifications</p> <ul style="list-style-type: none"> • Bachelors in Cooperative leadership and Governance Costa Rica South America • Bachelor of Arts (Peace and Conflict resolution) - Egerton University • Diploma in international relations – East African Institute • Certificate in ICT • Certificate in Military science • Senior Management Course form Kenya Institute of Administration 	<p>Date of Appointment 5th August 2022</p> <p>Work Experience:</p> <ul style="list-style-type: none"> • He served as Chairman Marhab Foundation and Executive Director of NGO Horn of Africa Peace advocacy • He worked as Chief Consultant/Advisoe/ liason at Mandera County Government • He rose in various ranks in Kenya Defence Forces including the Liason Officer of Kenya Army in charge of over 40,000 staff • Liason officer for kenya Contigement in Namibia UNTAG • Senior instructor in the schoolof combat • Colonel Training Directorate at Kenya Army • Colonel Personnel at Kenya Army


<p>2.</p>	 <p>Ms. Margaret Righa Independent Director Deputy Chairperson, KeFS Board of Directors</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • PhD Scholar in Administration, Leadership and Governance (JKUAT) • Masters' in Education – Education Leadership and Administration (Aga Khan University) • Bachelor of Education - English and Literature (Moi University) • She has attended Strategic Leadership Development Programme and Senior management Course at Kenya School of Government and other community empowerment seminars including a seminar of Dialogue, Negotiation and Mediation at International Peace Support Training centre 	<p>Date of Birth 29th December 1978</p> <p>Date of Appointment 8th October 2021</p> <p>Work Experience</p> <ul style="list-style-type: none"> • She is an experienced Professional in Civil Service and in and a passionate educationist and gender equity and community empowerment • She had been Director at Industrial and Commercial Development Corporation (ICDC) • Prior to this appointment she served as Chief Officer and Sub-county administrator at Taita Taveta County Government, • She successfully taught in various capacities as a Lecturer at Coast Institute of Technology, Taita Taveta University and Mwangeka Girls School
<p>3.</p>	 <p>Ms. Jessica Gakinya Independent Director Chairperson, KeFS Technical Committee</p>	<p>Date of Birth 20th May 1980</p> <p>Date of Appointment 17th September 2018</p> <p>Work Experience</p> <ul style="list-style-type: none"> • A dynamic and experienced Business Development and Customer Relations Professional with over 15 years of quality work experience acquired in various challenging roles

	<p>Key Qualifications:</p> <ul style="list-style-type: none"> • Master of Arts in Project Planning and Management (University of Nairobi) • Bachelor of Arts (Sociology and Communication) 	<p>with a leading telecommunication company Safaricom Ltd.</p> <ul style="list-style-type: none"> • Strong sales professional skilled in Digital Strategy, Coaching, Sales, Communication, and Mentoring.
4.	 <p>Prof. Christopher Gathu Nyagah, PhD Independent Director Chairman Audit, Risk and Governance Committee</p> <p>Key Qualifications</p> <ul style="list-style-type: none"> • PhD in Environmental Analytical Chemistry (UoN) • Postgraduate Diploma, University of Uppsala, Sweden • MSc. in Analytical Chemistry (UON) • Bachelor of Education – Chemistry and Physics (UoN) • S1 Teaching Certificate in Chemistry (KU) 	<p>Date of Birth 12th December 1948</p> <p>Date of Appointment 8th October 2021</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Prof. Nyaga is a renowned Full Professor of Analytical Chemistry, Scholar, researcher and Educationist with over 50 years' wealth of experience • He has shown exemplary leadership skills as Director Alternative Degree Programme at JKUAT having successfully trained and supervised over 30 MSc. and PhD students and has published widely having over 30 publications in local and international peer reviewed journals • He also served in various capacities as in academia as Departmental Chairman and external examiner • He has taught Chemistry at JKUAT and Catholic University and Kenyatta University



5.	 <p>Mr. Paul Huka Kalla Independent Director Chairperson Finance, Strategy and Administration Committee</p> <p>Key Qualifications</p> <ul style="list-style-type: none"> • Ongoing PhD in Education Research Evaluation at Catholic University of East Africa (CUEA) • Masters of Education (hons) – Research and evaluation Logistics & (CUEA) • Bachelor of Education (Hons) (CUEA) 	<p>Date of Birth December 1965</p> <p>Date of Appointment 8th October 2021</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Mr. Kalla is a highly resourceful and focused teaching professional with exceptional management capabilities • He is highly trained with over 25 years’ experience • He is currently a lecturer at Meru university of Science and technology (MUST) • He ably serves as Chief of staff in the Office of the Governor- Marsabit County Government from 2014-2017 • Prior to this appointment he had served in various educational capacities as BOM Chair, Head teacher and Trainer of trainers. • He has attended many national capacity development workshops and seminars to sharpen his management skills.
6.		<p>Date of Birth 18th August 1962</p> <p>Date of Appointment 4th March 2019</p> <p>Work Experience</p>


	<p align="center">Mr. Francis Mutie, EBS Secretary Administration Alternate Director to PS Defence</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • Master’s in Public Administration (Executive) • BA in Government and history form University of Nairobi • Other key proficiencies in public administration includes, Paramilitary Course, Senior Management Course, and Advanced Conflict Transformation Course in Johannesburg South Africa 	<ul style="list-style-type: none"> • Head of Administration Department at the Ministry of Defence • Representative, PS defence • He enjoys over 33 years of experience in Public Administration holding various positions; Assistant Secretary, District Officer 1, District Commissioner and growing in rank to become the Provincial Commissioner (Nyanza) and later Secretary Administration (SA) to date.
7.	 <p align="center">Mr. Kassim M. Farrah Secretary administration Alternate Director to PS – SDFA&BE</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • BA in Political Science • Diploma in General Agriculture 	<p>Date of Birth 26th December 1960</p> <p>Date of Appointment March 2021</p> <p>Work Experience</p> <ul style="list-style-type: none"> • Secretary Administration with over 33 years of experience in Public Administration • Representative to the PS, SDFA& BE • He has excelled in Public Administration from the rank of: District Officer for 17 years climbing the ranks of that cadre up to Senior District Officer (SDO), District Commissioner (8 years), County



	<ul style="list-style-type: none"> Other Achievements in Public Administration includes: Strategic Leadership Development Programme (SLDP), Senior Management Course (SMC), Advanced Public Administration (APA) and Paramilitary Course 	<p>Commissioner (6 years) and currently the Secretary Administration</p>
<p>8.</p>	 <p>Mr. Timothy Mburu MBA (Finance & Accounting), B.com (Accounting), CPA (K), CIA, CISA, CRMA Alternate Director to PS – National treasury</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> He holds a Master's of Business Administration (MBA) from University of Nairobi and Bachelors of Commerce (Accounting Option) from the Catholic University of Eastern Africa (CUEA). He is also a Certified Public Accountant (Kenya), Certified Internal Auditor, Certified Information Systems Auditor and 	<p>Date of Birth 1979</p> <p>Date of Appointment June 2022</p> <p>Work Experience</p> <ul style="list-style-type: none"> He is a Deputy Accountant General in National Treasury, Kenya. Currently working with National Assets and Liabilities Department in the Directorate of Public Investment and Portfolio Management in the National Treasury with the mandate of managing assets and liabilities in Public sector entities in Kenya. He has 18 years' experience in public sector working previously as internal auditor in the Department of Internal Auditor General for 15 years.

	<p>Certified Risk Management Assurance.</p>	
<p>9.</p>	<div style="text-align: center;">  <p>Mr. Daniel N. Mungai DG/ Secretary to the KeFS Board of Directors</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • M.Sc. in Microbiology (Kenyatta University) • B.Sc. in Botany and Zoology, (Kenyatta University) • Member International Association of Fish Inspectors (IAFI) </div>	<p>Date of Birth 23rd February, 1968</p> <p>Date of Appointment 1st October 2020</p> <p>Area of Responsibility</p> <ul style="list-style-type: none"> • Director General/Chief Executive Officer of the Service. • Accounting Officer of the Service • Secretary to the KeFS Board of Directors.

3. Management Team

	Management	Details
1.	 <p>Mr. Daniel N. Mungai DG/CEO</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • M.Sc. – Microbiology (Kenyatta University) • B.Sc. - Botany and Zoology, (Kenyatta University) 	<p>Date of Birth</p> <p>23rd February, 1968</p> <p>Area of Responsibility</p> <ul style="list-style-type: none"> • Director General and Chief Executive Officer • Accounting Officer of the Service
2.	 <p>Mr. Jared Agano Makori 'ndc'(K)</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • MA in International Studies, University of Nairobi • MSc in Environmental Science, Maseno University 	<p>Date of Birth</p> <p>22nd February 1970</p> <p>Area of Responsibility</p> <ul style="list-style-type: none"> • Ag. Director (Capture Fishery) <p>In-charge of Capture Fishery Directorate</p>

	<ul style="list-style-type: none"> • BSc in fisheries, University of Eldoret • Certificate in national Security Studies, National Defense University Kenya • Certificate in Strategic Leadership Development Programme (SLDP), KSG Nairobi • Certificate in Senior Management Course, KSG Mombasa • Certificate in Coastal Fisheries management, JICA, Japan 	
3.	<div style="text-align: center;">  <p>Dr. Simon Macharia, PhD</p> </div> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • PhD in Natural Resources Management (Egerton University) • MSc. in Environmental Science (Egerton University) • BSc. Fisheries (Moi University) 	<p>Date of Birth</p> <p>15th April 1972</p> <p>Area of Responsibility</p> <ul style="list-style-type: none"> • Director (Aquaculture) • In-charge of Aquaculture Directorate

<p>4.</p>	 <p>Ms. Rosaline Daisy Muriuki 'ndc'(K)</p> <p>Key Qualifications:</p> <ul style="list-style-type: none"> • Pursuing PhD in Biotechnology at Kenyatta university • MSc. Biotechnology (Kenyatta University) • BSc. Biochemistry (Kenyatta University) 	<p>Date of Birth 1974</p> <p>Area of Responsibility</p> <ul style="list-style-type: none"> • Director (Fish Quality, Safety and Trade) • In-charge of Fish, Quality, Safety and Trade Directorate • In-Charge of Fish Quality and safety Laboratories in Nairobi, Mombasa and Kisumu
<p>5.</p>	 <p>CPAK Mathew Maweu</p>	<p>Date of Birth 19th April 1985</p> <p>Area of Responsibility</p> <ul style="list-style-type: none"> • Ag. Head of Accounts • Responsible for all matters finance and Accounting within the Service

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	<p style="text-align: center;">ICPAK REG. NO. 16723</p> <p>Key Qualifications:</p> <ul style="list-style-type: none">• Bachelor of Commerce (Finance Option)• Certified Public Accountant (K) Member No: 16723	
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4. Chairman's Statement

KeFS is a regulatory State Corporation created under the Fisheries Management and Development Act, 2016. During the reporting period, KeFS continued to play its critical role in conservation, management and development of fisheries resources in Kenya pursuant to the Act. I thank the Government for the granting the much-required finances to operationalize and delink the operations of KeFS.

ACHIEVEMENTS DURING THE FINANCIAL YEAR 2021/2022

The Service continued to implement its fisheries conservation, management and development mandate during the year under review and achieved its Performance Contract targets as set out in the signed KeFS Performance Contract for the FY 2021/2022 and the Service Strategic Plan (2018-2022). In particular, KeFS managed the capture fisheries of the Indian Ocean and inland waters by granting access through licensing; Monitoring, Control and surveillance (MCS) was enhanced; promotion of aquaculture technologies and innovations progressed by installation of 10 aquaponics units in learning institutions; promotion of fish quality, safety and trade; capacity building initiatives and collaboration with other agencies internationally, regionally and nationally within KeFS mandate. In the human resources sphere, the 368 young Kenyans in the post of Fisheries Officer (150) and Constable Fisheries Guard (198) employed in the past FY were inducted into public service and deployed to serve in their capacities in various regions in Kenya

ONGOING INITIATIVES

In order to operationalize the Act, the Service is actively participating in the development of subsidiary fisheries legislation and fisheries management plans in collaboration with counties. Of particular interest, the Service participated in the review of the Fisheries policy and the development of National Blue Economy Strategy. The process of development of marine fisheries access rights regulations was concluded and the regulations submitted to the office of the Attorney General for gazette. Aquaculture initiatives were intensified to boost fish farming in the country with particular focus to commercialisation. The Country signed a protocol for export of live seafood to China aiding to minimize trade barrier in fish trade.

FUTURE PROSPECTS OF THE SERVICE

The Service will continue to play its role nationally, regionally and internationally Pursuant to the Fisheries Management and development Act, 2016. To realize well managed fisheries and aquaculture the Service will endeavour develop programs and activities that are aligned with the huge mandate of the Service. The sound Management of both physical, human and financial resources will contribute to the realization of the aforementioned mandate powered with efficient financial systems which the Service will establish and run to ensure fiduciary responsibility and accountability.

In conclusion, I take this opportunity to thank members of the KeFS Board of Directors and Management providing leadership over the past year. I most sincerely applaud the Staff of the Service for their commitment to duty and unwavering support in delivering our mandate. The commitment of this dedicated team contributed immensely to the Service performance. I am confident that they will spare no effort to attain and surpass the targets set for the new financial year.



Col. (Rtd) Noor Musa, MBS

Chairman

KeFS Board of Directors.

5. Report of the Chief Executive Officer

It gives me great pleasure to present the second Annual Report and Financial Statements for the Kenya Fisheries Service (KeFS) for the period ended 30th June, 2022.

The Service has steadily taken up the role of Management and Development of Fisheries Resources as per the Fisheries Management and Development Act, of 2016. The Act mandates the Service to conserve, manage and develop marine and freshwater fisheries and aquaculture for sustainable exploitation of fisheries and other aquatic resources.

For the period under review, the Service has continued to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development.

ACHIEVEMENTS DURING THE PERIOD

During the period, the Service Implemented the performance Contract for the FY 2021-2022 successfully that saw all the performance targets successfully achieved as negotiated with the Parent Ministry of Agriculture, Livestock, Fisheries and Cooperatives and vetted by the Performance Contracting Secretariat. The 150 fisheries officers and 198 Constable fisheries guards employed in the past FY were deployed to various regions to deliver services to the Kenyan citizens. This was a boost to the KeFS team that increased their morale and enhanced quality service delivery. The main achievements included:

1. The National industrial deep sea fishing fleet grew from 11 to 14 vessels:
2. The development of marine fisheries (Development and access rights) regulations was concluded
3. The development of Lake Turkana Fishery Management Plan was concluded
4. Aquaculture regulations and strategy development was concluded
5. Review of Manual of Standards Operation Procedures was initiated and is to be concluded in the next financial year
6. Kenya fishing School aquaculture training programme saw over 10 aquaponics units being launched

7. In compliance to regional and international obligations, the Service participated in Indian Ocean tuna Commission (IOTC), South western Indian Ocean Commission (SWIOFC), World trade Organisation (WTO), COMESA and EAC and Lake Victoria Fisheries Organisation; to further fisheries development in the region.

COMPLIANCE WITH THE LAWS AND REGULATIONS

During the FY 2020-2021, the Service complied with the set budgetary levels for the year. All the funds released by the government and donor partners to the Service were expensed towards the intended and approved work-plan of the Service.

KeFS Budget

Kenya Fisheries Service received over Ksh 480 million as a grant from the National Treasury and Ksh 10 million from COMESA through the national treasury as external grant. The funds were utilised for personal emoluments, recurrent expenditure and Board Expenses as per the work plan for the FY. However, due to the strained budget the service is yet operationalize all her regional offices and critical boarder stations. On the other, hand the Service will continue wo work with the national treasury and development partners start development activities within the mandate of the Service.

In conclusion, the Service mandate remain critical and I applaud the staff and with the unwavering support of the Board of directors, who have shown immense commitment to the achievement of the goals set for the reporting period.



Mr. Daniel Mungai

DIRECTOR GENERAL/CEO KeFS

6. Statement of Performance against Predetermined Objectives for FY 2021/22

KeFS performance for the period under review was guided by its Strategic Plan of 2018-2022 which has the following four key strategic issues to be addressed:

- a) Inadequate policy, legal and institutional framework for management and development of fisheries
- b) Low fish production, overfishing and IUU
- c) Undeveloped markets and marketing systems
- d) Poor fisheries data and information management system
- e) Weak collaboration and cooperation mechanisms at national, regional and international level

The Service develops its annual work plans and performance targets based on the above strategic issues and the assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Service performance targets for the FY 2021/2022 period for its 8 key strategic issues, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Inadequate policy, legal and institutional framework for management and development of fisheries	To formulate and monitor the implementation of policies and regulations regarding conservation, management and utilization of all fisheries resources	Draft regulations	Formulate and review laws, regulations, standards and guidelines governing the fisheries	- Finalized Marine Fisheries (Development and access rights regulations and submitted to the AG office for gazettelement - Concluded the Lake Turkana fishery

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				Management Plan (PFMP)
	To operationalize the Kenya Fisheries Service (KeFS) Institutional Framework.	Deploy and train newly recruited officers	Establishment of manpower requirements and Recruitment of Staff	Deployment and training of 150 Fisheries Officers and 198 Constable Fisheries Guards
Strategic Issue 2	Strategic Objective	Key Performance Indicators	Activities	Achievements
Low fish production, overfishing and IUU	To increase fish production from capture fisheries	Domestic fleet in Kenya's marine waters	Reflagging of foreign flagged vessels Registration under KMA Licensing for local fishing	2 long liners were reflagged and became part of the Kenya's local fishing fleet to exploit our deep-sea fisheries resources
		Development of sea-going capacity	Recruitment and training of fish crews	386 local fish crews trained in the Coastal region for deep sea going capacity
		Restocking report	Identify declining fishery Restock with appropriate fingerlings	2,280,000 fingerlings stocked in Lake Naivasha, Lake Baringo,

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				Turkwell dam. 7 folk dams and county Dams
	To increase fish production, productivity and marketing under aquaculture systems	Aquaponics launch reports	Identification and construction of aquaponic units in learning institutions	10 aquaponics units constructed and commissioned in learning institutions
		Eat more fish campaign reports	Organise eat fishing festival to market and encourage consumption of farmed fish	One “eat more fish campaign” was conducted at Njoro Girls School.
	To Strengthen Fisheries Resource Governance	Implementation of Port State Measures Agreement (PSMA)	Development of tools to implemt PSMA	Developed the National MCS strategy Developed the national plan of Action IUU fishing
Strategic Issue 3	Strategic Objective	Key Performance Indicators	Activities	Achievements
Undeveloped markets and marketing systems	To ensure safety and quality of fish	Training reports	Review and Implementation of Standard Operating	The Manual Standard Operating Procedures was

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	and fishery products		Procedures (SOPs)	rolled out in 6 counties targeting the COs and CECMs
		Accreditation reports	Accreditation and operationalization of fish quality control laboratories	The process of operationalization of the fish quality laboratories was completed The accreditation of the fish labs commenced and achieved a 5%
Strategic Issue 4	Strategic Objective	Key Performance Indicators	Activities	Achievements
Poor fisheries data and information management system	To Establish data and information management system	A functional data and information management unit	Establish a data and information management unit	A data unit was established in the organizational structure and two officers attached in the unit
		A data sharing mechanism between the two levels of government	Establish a data sharing mechanism between county and national government	A mechanism has been created for smooth sharing of data between the two level of government
		Published statistical bulletin	Regular publication and dissemination of	A fisheries statistical bulletin was published in

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			fisheries information	the period under review
Strategic Issue 5	Strategic Objective	Key Performance Indicators	Activities	Achievements
Weak collaboration and cooperation mechanisms at national, regional and international level	Honour and update Regional and International obligations	Enhance compliance to regional and international fisheries management	Participate in IOTC, SWIOFC, FAO, WTO forum.	Participated in IOTC, SWIOFC, FAO, WTO forum to enhance compliance

7. Corporate Governance Statement

Good corporate governance entails establishment and enhancement of sustainable value for stakeholders through adoption of ethically driven procedures and processes. The Board of Directors ensures that corporate governance guidelines and best practices are followed, and that all corporate affairs are managed in a fair and transparent manner. In this regard, we believe it is our inherent responsibility to disclose timely and accurate information on our financials and performance as well as leadership and governance of the Service. The Board of Directors and KeFS Management remains steadfastly committed to the adoption of corporate governance best practices in support of our vision to provide world-class services that delight our customers, create value and meet stakeholders' expectations. This statement sets out the main corporate governance practices and structures in the Service and actions taken towards achievement of our goals.

During the reporting period the Board held 1 inauguration meeting; 1 induction; 4 Finance, Strategy and administration Committee; 4 technical Committee and 5 full board meetings.

i. Board of Directors

The KeFS Board of Directors consists of five (5) independent non-executive members, representatives of the PS National Treasury, State Department for Fisheries Aquaculture and the Blue Economy and Defence and the Director General KeFS who is the Board Secretary. The Board composition draws a good mix of skills, experience and proficiencies in various fields.

ii. Board work plan and meetings

Dates for Board almanac in the ensuing year were decided in advance and scheduled in the Board's work plan. The Board meets at least four times in a financial year to monitor and transact the business of the Service. Board Members receive adequate notice and detailed papers on issues to be discussed in good time to enable them prepare for the meetings.

iii. Board Committees

The Board has three standing committees that assist to effectively discharge various business functions and responsibilities. However, *ad hoc* committee can be constituted to deal with pertinent

issues as they arise as provided for by the Resolutions of the Board. The Board defines terms of reference under which the respective committees operate. The committees submit reports of their activities to the Board.

During the year, the Board established and supervised the following two committees:

a. Finance, Strategy and Administration Committee (FSAC)

The Committee is responsible for providing policy direction to the Service's Financial, Administration and Human resource management matters. The Committee reviews and approves the Service's annual budget, administers the recurrent and development annual budgets and ensures the budgets are aligned to the government printed estimates. The Committee deliberates on and approves the annual report and financial statements of the Service. The Committee is also responsible for the establishment of the terms and conditions of service and scheme of service for the employees, and making regulations governing the appointments, remuneration, conduct and discipline of employees. The committee regularly reviews and evaluates the adequacy and effectiveness of the personnel policies. The committee reviews and deliberates on staff matters and provides guidelines in the implementation of the personnel policies.

b. Technical Committee (TC)

The Committee is charged with the responsibility of providing policy direction and ensuring that the Service technical activities and execution is in line with the Corporate Strategic Plan, and it is linked with the National Development Policies including the Kenya Vision 2030, Big Four Priority Agenda and Third Medium Term Plan. The Committee is also responsible for approving draft Performance Contract document and annual work plans for the Service. The Committee monitors and reports to the Board the progress quarterly and annual reports of the Service in the execution of its mandate.

c. Audit, Risk and Governance Committee (ARGC)

The Committee acts as the oversight Board Committee and is responsible for evaluating the effectiveness of the internal control procedures and risk management procedures. It is responsible for establishing an internal audit function and ensuring that there is an effective risk-based internal audit

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system. The Board ARGC is also responsible for reviewing financial information as well as monitoring the effectiveness of management information systems and the reporting thereof. The committee reviews all significant findings of the internal and external auditors and provides policy direction as appropriate.

8. Management Discussion and Analysis

Operational performance

During the period under review, KeFS continued to implement its Performance Contract for the financial year 2021/2022 as negotiated with the Parent Ministry and vetted by the Performance Contracting Secretariat. The Service implemented measures of operationalising the Service through successful de-linking process from the State Department for Fisheries, Aquaculture and the Blue Economy. To strengthen human resource for effective execution of its mandate, the Service deployed and trained 150 fisheries officers and 198 constable fisheries guards and posted in various work stations in the republic.

The Service continued with its core mandate by management and development of the fisheries resources; this was achieved by ensuring faster authorisations for import/export of fisheries products, enhancement of locals into deep sea fishing expeditions by training 386 fish crews who are now employed in the deep-sea fishing vessels, enhanced dissemination of appropriate technologies in learning institutions by construction and commissioning of 10 aquaponic units in various learning institutions and restocking 2,280,000 fingerlings in lake Naivasha, Lake Baringo, Turkwell Dam and community dams to ease pressure on other wild stocks as we contribute to the big 4 agenda of food and nutrition security.

With regards to budgetary resources, the government released exchequer grants to the Service, though with unprecedented delays as per the government printed estimates for the 2021-2022 financial year.

9. Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile

The Service draws its agenda from the national development goals, Vision 2030, the *Big Four* Agenda, and the UN sustainable Development Goals (SDGs) and AU Agenda 2063. The consideration of the aforesaid instruments led to the 5 year commitment of the KeFS strategic plan 2018-2022 that the service implementing. On the other hand, the implementation the above policy framework was slowed down in the reporting period due to COVID 19 and the slow process of delinking of the Service form the State Department. The service collaborated with the devolved governments in meeting her mandate in aquaculture development, granting of fisheries access, development of legislations, quality assurance, trade and co-management of fisheries resources.

ii) Environmental performance

The Service remained compliant to the provision of the Environmental Management and Conservation Act (EMCA) Cap 387 and subsidiary legislation in establishment and management of fisheries business and aquaculture production. The principle of Ecosystem approach to fisheries management is applied in all fisheries to ensure sustainable aquatic ecosystem. On the other hand, reduction of pollution by industrial fishing vessels was ensured by implementing the International Maritime Organisation (IMO) Marpol convention and enforcement of the Merchant Shipping Act No. 4 of 2009 in collaboration with Kenya Maritime Authority (KMA). During the reporting period the Service planted trees in all its station rallying the Government agenda to achieve 10% forest cover by the year 2030.

iii) Employee welfare

KeFS adheres the provisions of the Employment Act, 2007 in granting equal opportunities to all Kenyans without discrimination based on gender and ethnicity. In view of this, the Service was in the process of competitively hiring 150 Fisheries Officers and 198 Constable Fisheries

Guard (CFG). In compliance to the Performance Contracting requirements KeFS implemented the crosscutting issue of Gender Mainstreaming in all its departments and ensured a 1:1 gender ratio in the Senior Management level. The Individual Performance Appraisal system was upheld within the online Government Human Resource Information System (GHRIS) platform. KeFS adheres to the provisions of the Occupational Safety and Health Act of 2007, (OSHA) with reference to safety and well-being of the employees.

iv) Market place practices-

KeFS has put in place the following:

a) Responsible competition practice.

KeFS is a non-political institution respecting the governance structures as a SAGA within the national Government. The Service consults and collaborate with the County Governments through the County Departments responsible for fisheries in executing its mandate. On the other hand, KeFS has mainstreamed the anti-corruption policy in all her service delivery, ensures fair competition and have set up a mechanism to address the public complaints. The KeFS contracts to entrench responsible practices in the performance contract for the Service.

b) Responsible Supply chain and supplier relations

KeFS adheres to the provisions of the Public Procurement and Disposal Act Revised 2016 and subsidiary legislation.

c) Responsible marketing and advertisement

KeFS practise open-door policy in advertisement and marketing of KeFS products and Services. The employment opportunities are advertised in the Service website, Ministry website and widely circulated printed newspapers.

d) Product stewardship

KeFS discloses all her Services rendered to citizens in the Service Delivery Charter.

v) Corporate Social Responsibility / Community Engagements

KeFS acknowledges the need to give back to society to promote harmonious relations given the contribution made by surrounding communities in creating a conducive environment for her extension and management activities. This has been pioneered successfully by the Sagana Fish Farm which has ensured the neighbouring community

benefits from the un-skilled casual labour. The farm has also been involved in supporting vulnerable fish farmers who suffer from flash floods by helping restock their ponds. Further, Sagana Fish Farm has been undertaking a long-term partnership with the Catholic Diocese of Embu in supporting philanthropic fish farming activities to targeted orphans and widows who have benefitted from high quality fingerlings and feeds produced at the Farm. These outreach programs will be enhanced to use them as avenues for ensuring the members of public especially the vulnerable segment of society appreciate the work done by the Service coupled with the benefits of the fish industry.

10. Report of the Directors

The Board of Directors has the pleasure to submit the annual report and audited financial statements for the year ended June 30, 2022 in accordance with the International Financial Reporting Standards, the State Corporations Act (Cap 446) of 1986 and the PFM Act, 2012 which discloses the state of affairs of the Service.

f) Principal activities

The Mandate of KeFS as per the Kenya Fisheries Management and Development Act, 2016 is to conserve, manage and develop marine and freshwater fisheries and aquaculture for sustainable exploitation of fisheries and other aquatic resources. It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio-economic development. It is our undertaking to ensure that Kenya Fisheries Service has a credible Strategic Plan and Performance Contract that will deliver the desired goals.

ii) Results

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

iii) Directors

The members of the Board of Directors who served during the year are shown on page V. The Chairman of the Board and Board Members who served during the year were appointed by the President and Cabinet Secretary of the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. The Chairman Term of office expired on 6th February 2022 and was not renewed. This followed appointment of Col (rtd) Noor Musa, MBS as the Chairperson of KeFS Board of Directors on 5th August 2022. On the other hand, Prof. Christopher Nyagah upon resignation of Dr. Francis Mutegi and Ms. Jessica Gakinya was re-appointed to the Board by the Cabinet Secretary on 2020

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Service did not make any surplus during the year (FY 2021-2022 KShs. Nil) and hence no remittance to the Consolidated Fund.

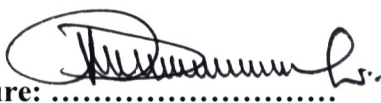
v) Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the entity for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Mr. Daniel Mungai

DIRECTOR GENERAL/SECRETARY - KeFS Board of Directors

Signature: 

Date: 23/03/2023

11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, - require the Directors to prepare financial statements in respect of KeFS, which give a true and fair view of the state of affairs of KeFS at the end of the financial year/period and the operating results of KeFS for that year/period. The Directors are also required to ensure that the Service keeps proper accounting records which disclose with reasonable accuracy the financial position of the Service. The Directors are also responsible for safeguarding the assets of the Service.

The Directors are responsible for the preparation and presentation of KeFS' financial statements, which give a true and fair view of the state of affairs of KeFS for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Service; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

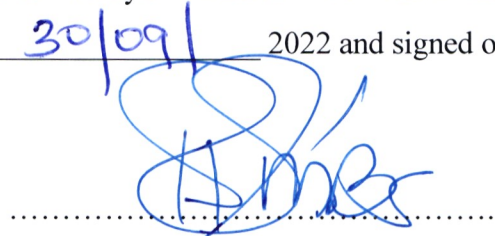
The Directors accept responsibility for the KeFS's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the KeFS's financial statements give a true and fair view of the state of KeFS's transactions during the financial year ended June 30, 2022, and of the KeFS's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Service, which have been relied upon in the preparation of the KeFS's financial statements as well as the adequacy of the systems of internal financial control.

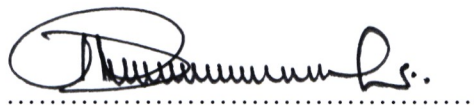
Nothing has come to the attention of the Directors to indicate that the KeFS will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial statements

The Kenya Fisheries Service's financial statements were approved by the Board on 30/09/ 2022 and signed on its behalf by:



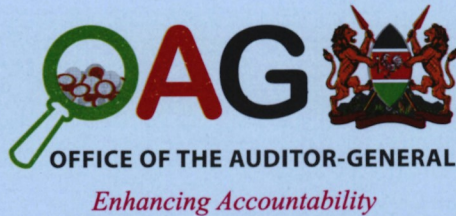
**Col (Rtd) Noor Musa, MBS
Chairman of the Board of Directors**



**Mr. Daniel Mungai
Director General/CEO – KeFS**

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA FISHERIES SERVICE 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 Fisheries Service set out on pages 1 to 50, which comprise of the statement of financial position as at

30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Fisheries Service as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Fisheries Management and Development (FMD) Act, No. 35 of 2016 of the laws of Kenya.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial performance reflects use of goods and services, public contribution and donation and other transfers and payments amounts of Kshs.75,433,071, Kshs.26,821,728 and Kshs.3,093,898 respectively. However, a tabulation of the accompanying Note 3, Note 2, and Note 7 respectively, supporting journal entries and schedules for the amended financial statements were not provided for audit.

In the circumstances, the accuracy and completeness of the use of goods and services total amount of Kshs.105,348,697 could not be confirmed for the year ended 30 June, 2022.

2. Irregularities in Property, Plant and Equipment

2.1 Depreciation Policy

As disclosed in Note 12 to the financial statements, the statement of financial performance reflects depreciation and amortization expense amount of Kshs.730,387. However, the Service did neither disclose in the notes to the financial statement the rates applicable to each class of property, plant and equipment nor did they have a depreciation policy during the year under audit and thus the amount could not be verified.

In the circumstances, the accuracy, completeness, presentation and disclosure of the property, plant, and equipment balance of the Service as reflected in the financial statements as at 30 June, 2022 could not be confirmed.

2.2 Inaccurate Net Book Value Balance

The statement of financial position as disclosed in Note 12 to the financial statements, reflects property, plant and equipment balance of Kshs.3,388,327. However, the fixed

asset movement schedule provided for audit only reflects assets that are held at the headquarters excluding the ones in the regional offices. Further, physical verification done in February, 2023 in a number of regional offices revealed that the regions also maintain their own assets registers for property, plant and equipment which were not incorporated in the main asset register and reported in the financial statements. In addition, the registers provided for audit did not include the value of the assets, the accumulated depreciation and the net book values as at 30 June, 2022.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,388,327 as at 30 June, could not be confirmed

3. Unsupported Budget Figures

The statement of comparison of budget and actual amounts reflects compensation of employees, domestic travel and accommodation allowance, training, rental, hospitality expenses amounts of Kshs.340,524,832, Kshs.24,668,022 Kshs.19,228,168 Kshs.16,840,193 Kshs.1,299,200, while the budget approved by the board reflect Kshs.695,614,681, Kshs.22,132,121 Kshs.14,966,484 Kshs.18,021,234 and Kshs.6,581,752 respectively resulting in a total variance of Kshs.354,755,857.

In the circumstances, the accuracy of the statement of comparison of budget could not be confirmed for the year ended 30 June, 2022.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Lack of Facilitation Affecting Monitoring, Control and Surveillance Activities

In the fulfilment of its mandate Kenya Fisheries Service is charged with formulating and monitoring the implementation of policies regarding the conservation, management and utilization of all fisheries and aquaculture resources. However, during the year under review, it was observed that constraints in budget allocation was affecting the Monitoring, Control and Surveillance (MCS) activities within the seven (7) regional offices. Resources allocation for facilitations of monitoring activities was not sufficient enough to sustain MCS activities during the entire financial year. The regional offices did not have enough boats and facilities to mount frequent patrols in the water bodies and at times had to heavily rely

on other state agencies. It was not clear why the entity was not allocated funds for purchase of boats that are vital for MCS activities. Lack of constant MCS patrols led to unlicensed fishermen flocking the lakes while at the same time using wrong gears for fishing.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Delayed Handover of Functions from the State Department to the Service

Kenya Fisheries Service was established by an Act of Parliament in 2016 and the Service delinked from the State Department of Fisheries, Aquaculture and the Blue Economy and became an independent entity as per the Fisheries Management and Development Act No 35 of 2016. Having begun its operations, it was subject to its first audit exercise as of the closure of the financial year ended 30 June, 2021. However, verification of assets owned by the Service revealed that ownership documents, outlining the assets and liabilities have not been handed over by the State department to the Service. Further, it was also not clear why revenue collected by the entity was still being surrendered to the State Department and yet it is a legal entity required to report its own revenues. This has also affected the activities in the Service's regional laboratories due to the obscurity of this process. This therefore shows the lack of clarity and completeness in the delinking process.

In the circumstances, the delayed handover by the State Department was in breach of the law, has affected planned activities of the Service and may have impacted negatively on service delivery to the public.

2. Conflict on the Mandate Kenya Fisheries Service and County Governments

Physical verification at the Nakuru regional office and interviewing the officers at the station revealed that there has been an ongoing conflict on the mandate of the Service and County government with regards to licensing of fishermen and boats within the regions. The situation has become an obstacle for smooth flow of operations as the fisheries officers from the Service are unable to achieve their objectives due to constant interference by the County officers.

In the circumstances, the continuity of conflict may result in the mandate of the Service and value for money not being achieved.

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 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. Lack of Internal Audit Function

Review of the Kenya Fisheries Service organizational structure revealed that the structure includes an internal audit department which should report to the Board of Directors through the Audit Committee. However, the audit revealed that the Service lacked an internal audit department contrary to the regulations. Further, the Audit Committee did not meet in the year under review and thus failing to provide the necessary oversight on the internal controls and risk management processes in the Service.

In the circumstances, the Board of Directors lacked a means of obtaining reasonable assurance on the state of risk management, control and governance within the Service.

2. Non-establishment of an IT Strategic Committee

During the year under review, it was observed that the Service does not have an established IT strategic committee, IT security policy and risk management strategies at the managerial level. This could result in IT governance not being adequately implemented.

In the circumstances, the related IT controls were not effective.

3. Understaffing at the Kenya Fisheries Service

Examination of the Service's approved staff establishment revealed an optimal staff level of nine hundred and sixty-five (965) employees. However, only four hundred and seventy (470) employees were in post resulting in a variance of four hundred and ninety-five (495) staff. Further, the Service does not have sufficient non-technical staff such as accountants, finance officers, procurement officers and drivers as most of these staff have

either been seconded from the State Department of Fisheries or Technical staff have been forced to perform the duties of the non-technical staff in addition to their own duties.

The inadequate staff poses a challenge to the attainment of the objectives of the entity.

4. Lack of Segregation of Duties

Review of the internal control system in the regional offices revealed that there was no segregation of duties in the accounts department. It was noted that during the payment process, the A.I.E holder was also the accounting officer approving the vouchers for payment. Further, the officers handling procurement are also the same ones handling accounting matters. It is therefore, not clear how the officers manage to uphold checks and balance on the payments made. There is a risk of fraudulent payments being made due to lack of internal controls.

In the circumstances, the controls around payments made at the regional offices could not be confirmed.

5. Failure to Have Proper Placement of Relevant Skilled Personnel

During the year under review, it was noted that the Service lacked proper placement of relevant skilled personnel in various non-technical departments hence the technical staff were also performing roles in accounting and procurement for which they have not been trained for. Lack of proper skills led to some errors in record keeping during the year under audit that could easily have been avoided if the staff had been properly trained.

In the circumstances, the Service lacked the requisite skilled personnel to be able to run the day-to-day activities thereby adversely affecting delivery of its mandate as stipulated by law.

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 Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Service'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 Service 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 financial reporting process, reviewing the effectiveness of how the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and 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 controls may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service'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 Service 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 Service to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and

other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

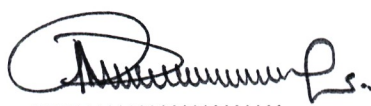
17 April, 2023

13. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	1	426,755,850	49,700,201
Public contributions and donations	2	26,821,728	5,803,841
		453,577,578	55,504,042
Revenue from exchange transactions			
Total revenue		453,577,578	55,504,042
Expenses			
Use of goods and services	3	75,433,071	42,460,968
Compensation of Employees	4	333,968,982	-
Board Expenses	5	3,727,356	5,662,031
Depreciation and amortization expense	12	730,387	-
Other Transfers and Payments	7	3,093,898	
Contracted services-Security	8	278,400	
Repairs and maintenance	6	1,192,060	-
Total expenses		418,424,154	48,122,999
Other gains/(losses)			
Surplus before tax			
Surplus/(deficit) for the period/year		35,153,423	7,381,043
Remission to National Treasury		-	-
Net Surplus for the year		35,153,423	7,381,043

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

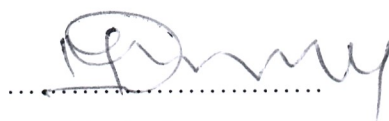
The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:



Accounting Officer

Mr. Daniel Mungai

Date 23/03/2023



Ag. Head of Accounts

Mr. Mathew Maweu

ICPAK Member Number:16723

Date 23/3/22



Chairman of the Board

Col (Rtd) Noor Musa, MBS

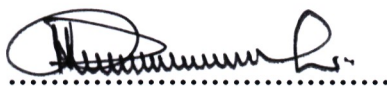
Date 23/3/2023

Kenya Fisheries Service
Annual Report and Financial Statements
for the year ended June 30, 2022.

14 Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	9	27,626,829	34,428
Receivables from non-exchange transactions	10	8,622,250	4,683,900
Inventories	14	421,210	-
Total Current Assets		36,670,289	4,718,328
Non-Current Assets			
Property, plant and equipment	12	3,388,327	3,242,714
Total Non- Current Assets		3,388,327	3,242,714
Total Assets		40,058,616	7,961,042
Current Liabilities			
Payables	11	4,080,000	580,000
Total Current Liabilities		4,080,000	580,000
Non-Current Liabilities			
Non-current employee benefit obligation			
Total Liabilities		4,080,000	580,000
Net assets		35,978,616	7,381,042
Financed by:			
Accumulated surplus		35,978,616	7,381,042
Capital Fund		-	-
Total Net Assets		35,978,616	7,381,042

The financial statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:



Accounting Officer

Mr. Daniel Mungai

Date 23/03/2023



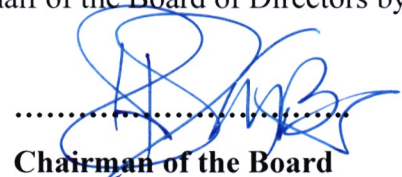
Ag. Head of Accounts

Mr. Mathew Maweu

ICPAK Member Number:

16723

Date 23/3/23



Chairman of the Board

Col (Rtd) Noor Musa, MBS

Date 23/3/2023

15. Statement of Changes in Net Assets for the year ended 30 June 2022

	Retained earnings	Total
As at 1st July 2021	7,381,043	7,381,043
Surplus/ deficit for the year	35,153,423	35,153,423
Total Surplus as at end of year	42,534,466	
changes during the year	(6,555,850)	
As at June 30, 2022	35,978,616	35,978,616

16. Statement of Cash Flows for the year ended 30 June 2022

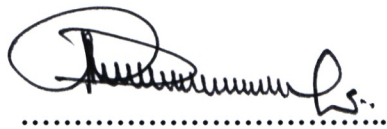
		2021-2022	2020-2021
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	1	426,755,850	49,700,201
Levies, Fines, and penalties			
Public contributions and donations	2	26,821,727	5,803,841
Other income			
Total Receipts		453,577,577	55,504,042
Payments			
Use of goods and services	3a	76,292,631	46,564,870
Compensation of Employees	4	333,968,982	-
Board expenses	5	3,727,356	5,662,031
Other Transfers and payments	7	3,093,898	-
Contracted services-Security	8	278,400	
Repairs and maintenance	6	1,192,060	-
Total Payments		418,553,328	52,226,901
Net Receipts		35,024,249	3,277,141
Net cash flows from/(used in) operating activities		35,024,249	3,277,141
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	12	(876,000)	(3,242,714)
Adjustment		(6,555,850)	
Net cash flows from/(used in) investing activities		(7,431,850)	(3,242,714)
Cash flows from financing activities		-	
Net increase/(decrease) in cash and cash equivalents		27,592,399	34,430

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Cash and cash equivalents at 30th June,2021		34,430	-
Cash and cash equivalents at 30th June 2022		27,626,829	34,430

(IPSAS 2 allows an Entity to present the cash flow statement using the direct or indirect method but encourages the direct method. Entities should use the direct method of cash flow preparation as shown above)

The financial statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:



Mr. Daniel Mungai
Accounting Officer

Date 23/3/2023



Mr. Matthew Maweu
Ag. Head of Accounts

ICPAK M/No: 16723

Date 23/3/23



Col (Rtd) Noor Musa, MBS
Chairman of the Board

Date 23.3.2023

**Kenya Fisheries Service
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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue						
Transfers from other governments entities	426,755,850	(6,555,850)	420,200,000	420,200,000	-	100%
Public contributions and donations	26,821,728	-	26,821,728	26,821,728	-	100%
Total income	453,577,578	(6,555,850)	447,021,728	447,021,728	-	100%
Expenses						
Use of goods and services	75,433,071		75,433,071	75,433,071	-	100%
Advertising	-	-	-	-	-	
Administration fees	3,403,715	-	3,403,715	3,403,715	-	100%
Fuel and Oil	4,358,000	-	4,358,000	4,358,000	-	100%
Hospitality	1,299,200	-	1,299,200	1,299,200	-	100%
Rental	16,840,193	-	16,840,193	16,840,193	-	100%
Audit Fee	580,000		580,000	580,000		
Utility supplies and services	617,202	-	617,202	617,202	-	100%
Telecommunication	548,450	-	548,450	548,450	-	100%

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Training	19,228,168	-	19,228,168	19,228,168	-	100%
Domestic Travel, accomodation and DSA	24,668,022	-	24,668,022	24,668,022	-	100%
Foreign Travel, accomodation and DSA	1,925,796	-	1,925,796	1,925,796	-	100%
Office and Other General expenses	1,932,791	-	1,932,791	1,932,791	-	100%
Bank Charges	31,534	-	31,534	31,534	-	100%
Compensation of employees	333,968,982	6,555,850	340,524,832	333,968,982	6,555,850.00	98%
Remuneration of directors	3,727,356	-	3,727,356	3,727,356	-	100%
Honoraria	454,500	-	454,500	454,500	-	100%
Board Sitting Allowance	644,300	-	644,300	644,300	-	100%
Board Domestic Travel and Subsistence	-	-	-	-	-	
Board travel and accomodation	1,696,200	-	1,696,200	1,696,200	-	100%
Board Insurance	-	-	-	-	-	
Other Board Expenses	932,356	-	932,356	932,356	-	100%
Other Transfers and Other Payments	3,093,898	-	3,093,898	3,093,898	-	100%
Contracted Services-Security	278,400	-	278,400	278,400	-	100%
Repairs and maintenance	1,192,060	-	1,192,060	1,192,060	-	100%
Provision for Audit	-	-	-	-	-	0%

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Depreciation and amortization expense	730,387	-	730,387	730,387	-	100%
Total expenditure	418,424,154	-	424,980,004	418,424,154	6,555,850.00	98%
Surplus for the period	35,153,423	(6,555,850)	22,041,723	28,597,573		

18. Notes to the Financial Statements

1. General Information

Kenya Fisheries Service is established by and derives its authority and accountability from Fisheries Management and Development Act, 2016. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity's principal activity is Conservation, Management and Development of fisheries resources in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *KeFS* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *KeFS*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*
IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.
- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

**Kenya Fisheries Service
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Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of *Ksh 31,700,000* on the 2021-2022 budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Entity and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an *xx*-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an Entity of financial assets is impaired. A financial asset or an Entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an Entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

k) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

m) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

o) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

The *Entity* regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the *Entity*, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers*.

t) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required 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 June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

**1. a) Transfers from Other
Government Entities**

Description	2021-2022	2020-2021
	KShs	KShs
Unconditional grants		
Operational grant	426,755,850.00	49,700,201.00
Other grants		
Total Unconditional Grants	426,755,850.00	49,700,201.00
Conditional grants		
Total government grants and subsidies	426,755,850.00	49,700,201.00

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Period ended 30th June 2022	Period ended 30th June 2021
	KShs	KShs			
			KShs	KShs	KShs
SDFABE	32,375,000.00			32,375,000.00	5,765,161.00
SDFABE	32,375,000.00			32,375,000.00	5,935,040.00
SDFABE	32,375,000.00			32,375,000.00	6,000,000.00
SDFABE	32,375,000.00			32,375,000.00	6,000,000.00
SDFABE	32,375,000.00			32,375,000.00	26,000,000.00
SDFABE	32,375,000.00			32,375,000.00	-
SDFABE	32,375,000.00			32,375,000.00	-
SDFABE	32,375,000.00			32,375,000.00	-
SDFABE	32,375,000.00			32,375,000.00	-
SDFABE	32,375,000.00			32,375,000.00	-

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SDFABE	32,375,000.00			32,375,000.00	-
SDFABE	15,850,000.00			15,850,000.00	-
SDFABE	48,225,000.00			48,225,000.00	-
SDFABE	-			6,555,850.00	
Total				426,755,850.00	49,700,201.00

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

2. Public Contributions and Donations

Description	2021-2022	2020-2021
COMESA	10,000,000.00	5,000,000.00
MESTP	665,894.00	803,841.00
EU-Ecofish Project	16,155,833.50	-
Total transfers and sponsorships	26,821,727.50	5,803,841.00
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	
Current year receipts	26,821,727.50	
Conditions met - transferred to revenue		
Conditions to be met - remain liabilities	26,821,727.50	

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

3. Use of Goods and Services

Description	2021-2022	2020-2021
Advertising	-	922,748
Admin fees	3,403,715	6,980,328
Fuel and oil	4,358,000	1,000,000
Hospitality	1,299,200	
Rental	16,840,193	8,770,823
Audit fees	580,000	580,000
Utility supplies and other services	617,202	-
Telecommunication	548,450	-
Training	19,228,168	9,048,000
Domestic Travel, accomodation and subsistence allowances	24,668,022	
Foreign Travel, accommodation, subsistence and other allowances*	1,925,796	11,596,050
Office and Other general expenses	1,932,791.00	3,563,021.00
Bank Charges	31,534.00	-
Total	75,433,071	42,460,970

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Notes to the Financial Statements (Continued)

3a) Use of Goods and Services as used in Cash flows

Description	2021-2022	2020-2021
Total use of Goods and services	75,433,071.28	42,460,970.00
Inventory in stock on 30th June	421,210.00	-
Receivables 2021	(4,683,900.00)	4,683,900.00
Receivables 2022	8,622,250.00	
Accruals 2021	580,000.00	(580,000.00)
Accruals 2022	(4,080,000.00)	
Total use of goods and services as used in cash flows	76,292,631.28	46,564,870.00

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

4. Compensation of Employees

Description	2021-2022	2020-2021
Salaries and wages	333,968,982.28	-
Total cash and cash equivalents	333,968,982.28	-

**Kenya Fisheries Service
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5. Board Expenses

Description	2021-2022	2020-2021
Chairman/Directors' Honoraria	454,500.00	687,000.20
Sitting allowances	644,300.00	1,692,100.00
Medical Insurance	-	514,806.20
Travel and accommodation	1,696,200.00	1,219,400.00
Other allowances	932,356.00	1,421,900.00
Board Domestic travel & Subsis.	-	126,825.00
Total	3,727,356.00	5,662,031.40

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

6. Repairs and Maintenance

Description	2021-2022	2020-2021
	KShs	KShs
Maintenance of Motor Vehicles	1,192,060.00	
Total	1,192,060.00	

7. Other Transfers and Other Payments

	Period ended 30th June 2022	Period ended 30th June 2021
KEFS-NAIROBI	195,325.00	-
KEFS-MOMBASA	487,235.00	-
KEFS-KISUMU	588,620.00	-
KEFS-LODWAR	265,385.00	-
KEFS-ELDORET	204,636.00	-
KEFS-NAKURU	201,176.00	-
KEFS-EMBU	203,380.00	-
KEFS-NYERI	446,460.00	-
KEFS-KAKAMEGA	295,680.00	-
KEFS-ISEBANIA	206,001.00	-
KEFS-SAGANA	-	-
Total	3,093,898.00	-

8. Contracted Services

	Period ended 30th June 2022	Period ended 30th June 2021
Security Services	278,400.00	
Total	278,400.00	

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

9. Cash and Cash Equivalents

Description	2021-2022	2020-2021
KCB Bank	27,626,828.50	34,428.45
Total cash and cash equivalents	27,626,828.50	34,428.45

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

9. (b) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2021-2022	2020-2021
a) Current account			
KCB-NAIROBI-HQ	1266312323	10,991,894.00	-
KCB-KEFS-NAIROBI REGION	1294423959	1,674.00	-
KCB-KEFS-MOMBASA	1294569155	2,764.00	-
KCB-KEFS-KISUMU	1294556290	1.00	-
KCB-KEFS-LODWAR	1294268198	24,615.00	-
KCB-KEFS-ELDORET	1294422219	2,364.00	-
KCB-KEFS-NAKURU	1294535188	2,824.00	-
KCB-KEFS-EMBU	1294536974	620.00	-
KCB-KEFS-NYERI	1294393316	798.00	-
KCB-KEFS-KAKAMEGA	1294495763	111.00	-
KCB-KEFS-ISEBANIA	1294386336	999.00	-
KCB-KEFS-SAGANA	1294418858	442,331.00	-
KCB-NAIROBI-EURO ACCOUNT	1294424823	16,155,833.50	-
Grand total		27,626,828.50	-

Note: The Cash and Cash Equivalent for KCB-Nairobi -Euro Account relates to an amount of EUR 131,348.24 that was received in Euros from the European Union. This has been translated to Kenya Shillings using the Average rate prevailing as at the Closure of the Financial Year on 30th June, 2022 of EUR 1= 123 KE.

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Notes to the Financial Statements (Continued)

10. Receivables from Non- Exchange Transactions (Current)

Description	2021-2022	2020-2021
	KShs	KShs
Unreceived Exchequers for the Year	6,555,850.00	
Unsurrendered imprests as at 30th June	2,066,400.00	4,683,900.00
Total	8,622,250.00	4,683,900.00

11. Payables

Description	Audit	Other
	Provision	provision
	Kshs	Kshs
Balance b/f		-
Provision for audit fee	580,000.00	
Unpaid Training expense	3,500,000.00	-
Total provisions year end	4,080,000.00	-

**Kenya Fisheries Service
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Notes to the Financial Statements (Continued)

Notes to the Financial Statements (Continued)

12. Property, Plant and Equipment

	Furniture and fittings (12.5%)	Computers (30%)	Total
Cost	Kshs	Kshs	Kshs
As At 1July 2021	1,385,300.00	1,857,414.00	3,242,714.00
Additions	876,000.00	-	876,000.00
Disposals	-	-	-
Transfers/Adjustments	-	-	-
As At 30th June 2022	2,261,300.00	1,857,414.00	4,118,714.00
Depreciation And Impairment			
At 1July 2021	-	-	-
Depreciation	173,162.50	557,224.20	730,386.70
As At 30th June 2022	173,162.50	557,224.20	730,386.70
Net Book Values			
As At 30 th June 2021	1,385,300.00	1,857,414.00	3,242,714.00
As At 30th June2022	2,088,137.50	1,300,189.80	3,388,327.30

Note:

- Depreciation has been computed using the rates contained in the NALM policy as the Service is in the process of Developing its own Finance Manual that will contain the Service policy.
- No depreciation has been charged in the year of purchase since most Property and Equipment are acquired in the last Quarter of the Financial Year.

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Notes to the Financial Statements (Continued)

13. Cash Generated from Operations

Description	2021-2022	2020-2021
REPORTED SURPLUS	35,153,423	7,381,043.00
ADD BACK DEPRECIATION	730,387	-
LESS INCREASE IN RECEIVABLES	(3,938,350)	
LESS INCREASE IN INVENTORY	(421,210)	
ADD BACK INCREASE IN PAYABLES	3,500,000	
NET CASHFLOWS FROM OPERATING ACTIVITIES	35,024,249	7,381,043.00

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Notes to the Financial Statements

(Continued)

14. Inventory

ITEM	QUANTITY	UNIT COST	AMOUNT
A5 ENVELOPES	50	680.00	34,000.00
BOX FILES	200	520.00	104,000.00
CONQUOROR PAPERS	10	8,000.00	80,000.00
CLEAR PAPER	5	750.00	3,750.00
CARBON PAPER	5	1,812.00	9,060.00
CELLOTAPE	100	300.00	30,000.00
EXTENSION CABLES	3	4,000.00	12,000.00
FLIMSY FOLDER	4	200.00	800.00
HIGHLIGHTERS	71	116.70	8,285.70
PENTAL PEN	120	455.00	54,600.00
PENCIL HP	24	111.00	2,664.00
PHOTOCOPYING PAPERS	50	900.00	45,000.00
RULERS	18	75.00	1,350.00
SPRING FILES	600	59.50	35,700.00
TOTAL			421,209.70

15. Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Entity's financial risk management objectives and policies are detailed below:

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

The Entity has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Kenya Fisheries Service has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Kenya Fisheries Service manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Notes to the Financial Statements (Continued)

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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Notes to the Financial Statements (Continued)

Financial Risk Management

Financial Risk Management

The carrying amount of the Kenya Fisheries Service foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Financial Risk Management

The following table demonstrates the effect on Kenya Fisheries Service statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

b) Interest rate risk

Interest rate risk is the risk that the Entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Kenya Fisheries Service market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Kenya Fisheries Service considers relevant and observable market prices in its valuations where possible.

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Notes to the Financial Statements (Continued)

Financial Risk Management

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Entity's capital risk management is to safeguard the Entity's ability to continue as a going concern. The Entity capital structure comprises of the following funds:

Notes to the Financial Statements (Continued)

16. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) The State Department for fisheries Aquaculture and the Blue Economy.
- ii) Key management.
- iii) Board of directors.

Notes to the Financial Statements (Continued)

17. Events after the Reporting Period

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

18. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi- Autonomous Government Agency under the State Department for Fisheries Aquaculture and the Blue economy.

19. Currency

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

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19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Owned Assets not valued and not incorporated in the Financial report	The process of incorporating the Assets is in progress	Not resolved	
2.	Failure to depreciate purchased assets	The service is in the process of developing a Finance manual which will provide guidance on the depreciation policy.	Not resolved	
3.	Ship owned by the Service but used by Kenya Coast Guards with no documentary evidence to prove hand-over	Management still pursuing the matter	Not resolved	


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Mr. Daniel Mungai

Director General/C.F.O

Date 23/03/2023

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Don or Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
SDFABE	2021-2022								
SDFABE	2021-2022	Recurrent	32,375,000.00	32,375,000.00	-	-	-	-	32,375,000.00
SDFABE	2021-2022	Recurrent	32,375,000.00	32,375,000.00	-	-	-	-	32,375,000.00
SDFABE	2021-2022	Recurrent	32,375,000.00	32,375,000.00	-	-	-	-	32,375,000.00
SDFABE	2021-2022	Recurrent	32,375,000.00	32,375,000.00	-	-	-	-	32,375,000.00
SDFABE	2021-2022	Recurrent	32,375,000.00	32,375,000.00	-	-	-	-	32,375,000.00
SDFABE	2021-2022	Recurrent	32,375,000.00	32,375,000.00	-	-	-	-	32,375,000.00
SDFABE	2021-2022	Recurrent	32,375,000.00	32,375,000.00	-	-	-	-	32,375,000.00

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SDFABE	2021- 2022	Recurrent	32,375,000.00	-	-	-	-	-	32,375,000.00
SDFABE	2021- 2022	Recurrent	32,375,000.00	-	-	-	-	-	32,375,000.00
SDFABE	2021- 2022	Recurrent	32,375,000.00	-	-	-	-	-	32,375,000.00
SDFABE	2021- 2022	Recurrent	32,375,000.00	-	-	-	-	-	32,375,000.00
SDFABE	2021- 2022	Recurrent	15,850,000.00	-	-	-	-	-	15,850,000.00
SDFABE	2021- 2022	Recurrent	48,225,000.00	-	-	-	-	-	48,225,000.00
SDFABE	2021- 2022	Recurrent	-	-	-	-	-	-	-
Total			420,200,000.00	-	-	-	-	-	420,200,000.00